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**Personal Networks in Russian Business:  
Structure, Rules, Trust**

**Oleg Konovalov**

Thesis submitted in fulfillment of the Degree of Doctorate of Business  
Administration (DBA)

University of Durham  
Durham Business School  
Durham, UK

2011

**Declaration**

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## **Acknowledgement**

It will be difficult to complete this doctoral research without suggestions, support, and motivation of my supervisor Professor Laszlo Polos who magically opens new horizons using only a few words.

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I also appreciate the effort, involvement and contribution of the research respondents.

## **Abstract**

The phenomenon of personal networks in Russian business received inadequate attention from academics to-date even being historically an important part of Russian cultural and business life.

To break into Russian market strategic opportunities must be examined. Personal networks play a big role in achieving this, more so than institutions in creation of social capital in Russia. Butler and Purchase (2008) confirm that dynamic changes in the Russian political economy during the 1990s led to a unique combination of low levels of social capital at the general (state) level and very high levels of social capital at the interpersonal level; and highlight how critical developing social capital is to ensure long-term continuous business survival in Russia. At the same time being in control of a lot of resources, personal networks that exist in Russian business remain a mystery for Western businesses.

Exploring the phenomenon from inside this descriptive doctoral study is using a chance of accessing hidden from previous researchers' research data and advance understanding of the phenomenon of Russian personal networks inner life, norms, and rules.

Having defined personal networks existing in Russian business present study confirms more complex structure of relations and different to those offered by Granovetter (1973); defines trust and explains how trust develops and mature; explains the role of emotional attachment which makes Russian networks so different; exploring importance of fulfilment of social norms which defines how networks operate. The findings show that it is not easy to establish relations in Russia but those relations will last longer providing network members with group's emotional and functional support, and access to different resources. The phenomenon of "shadow" business groups existing in Russian business had been explored and discussed.

Present doctoral study provides deeper understanding of Russian business networks helping foreign practitioners and investors to conduct business more effectively in Russia and particularly specialists in organisational change, strategy, strategic marketing, and HRM.

**Keywords:** *personal networks, networks structure, networks operations, trust, reciprocity, social norms, knowledge and information transfer, maturity of relations, networks entry and exit, "shadow" business groups, business in Russia.*

# Personal Networks in Russian Business: Structure, Rules, Trust

<b>Declaration</b>	<b>ii</b>
<b>Statement of copyright</b>	<b>ii</b>
<b>Acknowledgment</b>	<b>iii</b>
<b>Abstract</b>	<b>iv</b>
<b>Table of Contents</b>	<b>v</b>
<b>List of Figures</b>	<b>ix</b>
<b>List of Tables</b>	<b>ix</b>

## Table of Contents

<b>Chapter 1</b>	<b>Context of the study: An Overview</b>	
1.1	Introduction	1
1.1.1	Russia is different	3
1.1.2	Studies of Russia	6
1.1.3	How much attention must be paid to Russian networks?	9
1.1.4	Social capital	14
1.2.	Defining Research	18
1.2.1	Gaps in literature	18
1.2.2	Research working title	18
1.2.3	Research Questions	19
1.2.4	Research Population	19
1.3	Structure of the Thesis	20
<b>Chapter 2</b>	<b>Methodology</b>	
2.1	Research approach	22
2.2	Research philosophy	25
2.3	The view from inside	26
2.3.1	Insider approach	27
2.4	Research Methods	30
2.4.1	Story-based research	31
2.4.2	Observational survey	34
2.4.3	Interviews	37
2.4.4	Why other qualitative methods were rejected?	41
2.5	Data Analysis	41
2.5.1	Analysing Stories	41
2.5.2	Observation Analysis	42
2.5.3	Interviews Analysis	43

2.5.4 Getting inside of problem	44
2.5.4.1 Exploring Networks and Structure	44
2.5.4.2 Exploring Trust	47
2.5.4.3 Exploring Inner Life	48
2.6 Geography of research	49
2.7 Theory	50
<b>Chapter 3</b>	<b>Pilot Study Experience</b>
3.1 Introduction	51
3.2 Testing research methods	51
3.2.1 Observational Survey	52
3.2.2 Interviews	52
3.2.2.1 Trial interviews	52
3.2.2.2 Formal interviews	53
3.2.3 Story-based Method	55
3.2.4 Insider Approach	57
3.2.5 Discussion	58
<b>Chapter 4</b>	<b>Personal Networks existing in Russian Business</b>
4.1 Introduction	60
4.2 Definitions/ meanings	60
4.3 Personal Groups existing	62
4.3.1 Friends	63
4.3.2 Mates	65
4.3.3 Relatives or kinship relations	66
4.3.4 Ethnic groups	68
4.3.5 Ex-militia groups	70
4.3.6 Ex-Army and Navy officers	71
4.3.7 Ex-FSB groups	72
4.3.8 "Shadow" business groups	73
4.3.9 Colleagues and former colleagues	79
4.3.10 Classmates and college mates	81
4.3.11 Hobby	81
4.4 Discussion	82
<b>Chapter 5</b>	<b>Structure of Networks</b>
5.1 Introduction	83
5.2 Networks structure	83
5.3 Why people get together	88
5.3.1 Functional Strain	89
5.3.2 Emotional Strain	90

5.4 Types of relations	91
5.4.1 Kinship relations or how blood matter	91
5.4.2 Non-kinship relations	94
5.5 The strength of ties	95
5.5.1 Strong ties	95
5.5.2 Weak ties	98
5.5.3 Discussing strength of ties	99
5.6 Maturity of ties	102
5.7 Centrality, ranks, and network boundaries	105
5.7.1 Centrality	105
5.7.2 Ranks and Status	108
5.7.3 Networks boundaries	108
5.7.4 Discussion	109
5.8 Multiple networks memberships	109
5.9 Competition in networks	111
5.10 Summary	114
<b>Chapter 6</b>	<b>Social Norms in Russian Networks</b>
6.1 Introduction	116
6.2 Social Norms in Networks	117
6.2.1 Procedures, Communication styles, and language	118
6.3 Access to resources	121
6.3.1 Advantage of multiple networks memberships	122
6.3.2 Reciprocity and Exchange of Favours in Russian Networks	124
6.3.3 Terms and conditions of exchange	125
6.3.3.1 Favours to the third party	127
6.3.3.2 Time-lag factor	127
6.3.4 The issue of “Blat”	128
6.4 Emotional support	131
6.5 Locality of norms	132
6.6 Transaction Costs	134
6.7 Knowledge and information sharing	137
6.7.1 Flow of Information and Knowledge transfer in networks	141
6.7.2 Multidimensional view on information flow	143
6.8 Discussion	147
<b>Chapter 7</b>	<b>Trust</b>
7.1 Introduction	149
7.2 The Importance of Trust	149
7.2.1 Russian view on Outsiders	152
7.3 Defining trust	154



7.3.1	Definitions and forms of trust	154
7.3.2	Definition of trust in Russian way	156
7.4	Factors of trust	158
7.5	Degrees of trust and the strength of ties	163
7.6	What triggers trust?	164
7.6.1	Willingness to trust	164
7.6.2	Emotional sympathy	165
7.6.3	Fulfilment of Social Norms	168
7.6.4	Two-sidedness of trust	170
7.6.5	Discussion of trust development	170
7.7	Maturity of trust	172
7.7.1	Reciprocity	175
7.7.2	Reputation with others	176
7.7.3	Attitude in extreme and sensitive situations	177
7.7.4	Mutual learning	177
7.8	Repairing trust or self-curing of the personal groups	178
7.9	Summary	182
<b>Chapter 8</b>	<b>Network Entry and Exit</b>	
8.1	Entry	184
8.1.1	Entry with third-party references	185
8.1.2	Entry without references	186
8.1.3	What is expected?	188
8.2	Exit from Personal Network	189
8.2.1	Voluntary exit	189
8.2.1.1	Consequences of voluntary exit	193
8.2.2	Non-voluntary exit	194
8.2.2.1	Possible punishments	196
8.2.3	Summary	197
<b>Chapter 9</b>	<b>Summary of Findings</b>	
9.1	Discussion	198
9.2	Challenges and Limitations	200
9.3	Contribution to knowledge and practice	202
9.2.1	Contribution to knowledge	202
9.2.2	Recommendations for businesses	204
9.4	Recommendations for further research	209
9.5	Conclusion	210
<b>References</b>		212
<b>Appendix 1</b>		230
<b>Appendix 2</b>		233

## **List of Figures**

<b>Figure 1</b>	Transition to real trust (based on Dietz and Hartog model, 2006)	162
<b>Figure 2</b>	Model of trust development in networks	171

## **List of Tables**

<b>Table 1</b>	Common definitions of trust (Source, Dietz and Hartog, 2006)	155
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## **Chapter 1**

### **Context of the Study: An Overview**

*This chapter provides the detailed summary of the contextual themes related to the specific area of the present study critically reviewing the literature on Russian social and personal networks in order to identify a research gap.*

## **1.1 Introduction**

The author, many times, saw in his practice Westerners coming to Russia and trying to bring their habits and approaches to Russian business but not being successful. Without having knowledge of Russian life, Western organisations having difficulty succeeding on the Russian market, where with the market's transformations in Russia which began in the early 1990s, the demand for the knowledge of Russian managerial practice, culture, society, and values became increasingly important.

Offering exciting opportunities in different sectors of the economy, with well-educated labour, and waste natural resources, Russia has great potential for business development with opportunities that influence the international business landscape. With the huge market potentials, enormous natural resources, and well educated labour, the Russian market still remains as the most difficult to enter (Michailova, 2000). Butler and Purchase (2004, p. 34) suggest that "The renewed Russia is a very large economy and potentially an advantageous marketplace for Westerners-possibly even a "promised land" for those wishing to face the challenges of a fast changing country."

With increasing global competition over the energy resources, using the dominance position Russia is using energy resources as a blackmailing strategic tool against other countries influencing the political and economic landscape. Puffer & McCarthy (2007) note that "Russia's role as a key player in the global energy market and its potential makes the country increasingly important to Western and domestic companies".

Research of Russian business is a relatively new phenomenon that has received inadequate attention from academics, where the knowledge about Russian culture and society remains highly fragmented.

But, even those few studies have shown complexity of the Russian cultural and ethical issues, which are substantially different from Western culture (Holt et al., 1994; Puffer, 1995; Elenkov, 1998; Sommer *et al.* 2000).

Russia remains difficult to explain and in the words of Marshall Goldman, “an expert of Russian economy - “Russia is predictable in the sense that it will continue to be unpredictable” (Michailova, 2000, p. 99).

Previous studies have a fragmented nature with an *ad hoc* approach in research of business life in Russia without deep investigation of crucial processes. The majority of the literature is concerned with the application of Western management practices into Russian business, which would be difficult to achieve without deep understanding of implicit sides of Russian society.

The knowledge of inner mechanisms and influence of them on business and social life in Russia remains important and often hidden from Westerners. Highlighting the importance of personal relations in Russia, Michailova and Worm (2003, p. 509) claim that “personal networking in former socialist societies differs from the West in terms of how extensively it is rooted and activated in social and business life and how business success is influenced by the quality and cultivation of personal relationships”.

Personal networks existing in Russian business are different to those traditionally discussed and must be taken with a great sense of attention. Most ultimate differences could be formulated as follows: (1) there are ten personal networks exist in Russian business; (2) the structure of relations is more complex rather than originally described by Granovetter (1973); (3) emotional attachment makes networks different. If emotional attachment exists in relations then willingness to co-operate goes beyond the rational choice; (4) it is much harder to establish relations in Russia but they last much longer; (5) the rules of the games of networking are different to those known on the West. There are certain social norms which are strictly monitored by networks’ members; (6) due to the lack of law and order personal groups are occupying different positions in order to secure and stay in control of resources available to them; (7) Russian people have own definition of trust; (8) maturity of trust depends on a number of factors but more frequently people facing challenging situations then trust mature more quickly; (9)

“shadow” business groups existing in Russian business and strongly influence the way business in Russia is conducted and such groups were not previously recognised and described.

The present study is focusing on examining personal networks in Russian business, where the structure, entrance and exit rules, social norms, trust maintenance and norms of reciprocity among networks members is explored.

### **1.1.1 Russia is different**

With the increasing role of globalisation local knowledge of culture, traditions and procedures is becoming ever important for business practitioners. Molinsky (2007, p 622) underlines that “a critical challenge that organisations face in increasingly interdependent global economy is the ability to function effectively across national boundaries. Instead of operating exclusively within the cultural settings in which they were born and raised, individuals must now be capable of functioning appropriately in a wide variety of foreign cultural situations, many of which have different cultural norms for appropriate behaviour that may conflict with their core values and beliefs”.

Russia is a country with high-context culture where people coming from other cultures should realise importance of local knowledge which is tacit and difficult to explain. Westerners do not always realise that Russia and Russians are different to Western culture and in the way business is conducted. Michailova (2000) in her study on contrast of Russian and Western cultures points out that it always has been historically difficult for Westerners to understand due to the difference in terms of national culture, habits, economy, ideology, political structure, religion, and social system. Elenkov (1998) also points out that the Russian environment is complex and the Russian culture is significantly different from Western cultures.

Russia was living an encapsulated life since the 1917 revolution till the beginning of Perestroika in 1992. For almost 75 years Russia used to be behind the “Iron Curtain”, where people were not been allowed to contact freely with anyone from abroad. The state regime was purely totalitarian, where all rules, norms,

standards, and laws were dictated by Communists in order to control people and keep them in the “hedgehog gloves” (Russian folk expression). Then, since 1992 Russia has been going through turbulent periods of frequent political and social changes affecting the people’s mentality, lifestyles, cultural values, wealth, and endeavours. As a result, Russian people adapted to live in the hostile environment. Pierce and Cheney (2004) defining such stage of the human performance as a “transition state”.

Russian businessmen have an approach different to Westerners in the way that business is conducted. Tempted to bring their own culture into Russian business practice, Western organisations, in their majority, do not realise the cultural difference. In most cases, such an approach increases transaction and governance costs and often causes conflicts. Camiah and Hollinshead (2003, p 245) offer an interesting thought that “it is not Russia moving to the West but the West moving to Russia, through an influx of expatriates seeking to gain a foothold in an embryonic market structure”. Westerners need to learn how to get “inside” the Russian society understanding that Russia is different and therefore, conduct business accordingly.

In one of the earliest studies on Russian business ethics, Puffer and McCarthy (1995) stress that firms entering business ventures with Russians need to be aware of the differences and similarities in what is considered as an ethical dilemma where such suggestion came from their research on how to find the common ground in Russian and American business ethics.

Russia remains a country with a high level of perceived corruption and bribery where this phenomenon strongly influences the way business is conducted. Studying corruption and microenterprises in Russia Safavian, Graham, and Gonzalez-Vega (2001, p. 1215) explain that in no other transition economy is the degree of regulatory penetration as pronounced as in Russia, which has the most extensive history of bureaucracy, dating back to the 18<sup>th</sup> century, combined with the longest period under central planning in the 20<sup>th</sup> century. The authors show that in Russia, the regulatory state, with its elaborate system of permits and licences, combined with bureaucratic discretion in enforcement and monitoring, has created a corrupt cadre of government bureaucrats who frequently engage in

rent seeking behaviour while monitoring and enforcing regulations. Safavian and his colleagues' (2001) study demonstrate that microenterprises consider regulatory harassment and extortion as among the most severe obstacles to the long-term success of their enterprises, where the most innovative firms with the most "entrepreneurial" entrepreneurs are penalised with bribes at the highest rate.

The taxation system in Russia is unpredictable due to the frequent changes which are often backdated and causing heavy financial losses. In order to outfight this challenge, a Russian manager constantly participated in practices considered illegal or unethical in the Western world. Snaveley et al (1998) confirm that this is quite a habit in Russia due to the draconian Russian tax system.

Legalisation of private property ownership happened in the early 90s during the privatisation period in Russia and is seen by the general Russian public as absolutely unfair and splitting social classes even further. McCarthy and Puffer (2008, p. 24) confirm that "during the privatisation period, many people became cynical when ownership of enterprises became concentrated in the hands of opportunists, including enterprise managers who fragrantly abused other stakeholders' rights."

Sommer *et al* (2000) in their study of ethical orientation of Russian entrepreneurs found that Russian managers similar to Americans in terms of Machiavellian behaviour, show opportunistic behaviour, but fostering more interpersonal collective relations.

Adair and Brett (2005) in their study of negotiations style of eight different nations add that Russians, being from high-context culture, have different to Westerners' style of negotiations with Russian businessmen paying a lot of attention to the emotional side of discussion.

Actually, the list of differences could be endless. I want to bring here the story from my business experience which illustrates a typical Western reaction when they meet Russian reality.

*My company had been dealing with a well-established Spanish fish-processing company, where we were mutually involved in supplying frozen fish from the Barents*



*Sea to Europe and China. One day, the MD of the Spanish company, Mr. P., decided to visit Russia himself. The actual reason for the visit was to clarify discrepancies in supply caused by fishing vessels. After secure arrival to Murmansk and a welcome evening we set up the plan for the next days. All meetings with important stakeholders were arranged.*

*The next morning we went for the first meeting. Everything was going well until Mr. P. asked for a written guarantee from the Fisheries Authority that in the near future, additional quota will be allocated to our suppliers. The supplier had been trying to convince Mr. P that he could have everything but not this kind of guarantee. Mr. P. argued back claiming that in Spain he would receive it as a standard procedure. Eventually, our supplier made a call and within less than an hour, we were talking with one of the Fisheries' Authority's top men. He assured us that our supplier will be within quota and the project was secure and claimed that there will be no chance to have something in writing except his word.*

*The Spanish MD went out of the meeting completely puzzled. He was under the impression that we are dealing with the Russian mafia, whilst I had been claiming that this is the standard approach in Russia if you are well established and connected. After spending couple of days in Murmansk, Mr. P. learned that he could have access to any information and even secure supply but in most cases things are done through personal relations and not much through official channels, even though things were said to be done only "officially". The Russian approach was shocking and difficult for him to cope with. Instead of making friends and learning how to deal with Russians in the "Russian way", the Spanish MD had been trying to bring his home rules and habits into Russia and faced resistance instead of cooperation. Eventually, the project was closed due to the difference in approach.*

*The Spanish partner was relying on the institutional system typical for his country rather than on personal relations that solve a lot of issues in Russia. And another problem that Mr. P. had been looking at the way Russians live and conduct business from a "superiority" viewpoint, not accepting that things in Russia are done differently to the West.*

### **1.1.2 Studies of Russia**

Difficulty in gaining direct access and lack of information on culture, habits, and communications styles reinforce the need for obtaining the knowledge on how to understand and get access to the Russian market.

Most research conducted to date in the area of Russian business and culture has been mainly done by Western researchers with no or very little involvement of Russian researchers. Attention of those studies has been concentrated on the possible applicability of the Western management practices in Russia with little interest to examine ethical issues, social structure, communication styles, trust maintenance, social norms inside the social groups and behavioural standards amongst the Russian business people.

Hofstede's (1984) cultural dimensions are often used by academics and managers for primary understanding of different cultures. Two attempts had been made to study Russian culture using Hofstede's dimensions.

Elenkov (1998) has used six measures (power distance, individualism, uncertainty avoidance, competitive orientation, and political influence, dogmatism) to highlight the cross-cultural difference when interviewing 178 Russian and 147 American managers. The study was conducted in context of the American business practice. The author found that Russian managers are more likely to use political influence, informal arrangements, and personal links to conduct business, concluding that American management practice has a very little chance to succeed if applied in Russia. Elenkov (1998) concluded that Russians show high power distance, high collectivism, masculinity as competitive orientation, high uncertainty avoidance, Machiavellian, and are dogmatic in their attitudes and behaviour.

Naumov and Puffer (2000) using Hofstede's cultural dimensions found that Russia occupies an unusual position among the principal world cultures because of its long political, social, and economic isolation. The study shows that most differences with Western cultures lie in Power Distance, Individualism, and Uncertainty Avoidance.

Naumov and Puffer (2000) showed that Russians are moderate in *Individualism* but turning more towards *Collectivism*. Hofstede (1984) notes that "Collectivism view people not as unique individuals but in terms of group membership, where group such as family, team, social class, and organisation define the person deemphasizing uniqueness, self-determination, and lone accomplishment".

However, with more possibilities for money making, Russians want these days to “stand out of the crowd” showing the change on cultural dimensions (that happened during the last 10-15 years) towards more individualistic behaviour using money as a tool of power, influence, and measure of success.

The authors confirm that Russians are high in *Uncertainty avoidance*. People tend to secure themselves with more resources available, following action plans understandable for them, having a feel of close support, and don't want much change.

Referring to the authors, Russians show different to US or European *Masculinity* level, where men became more competitive for status and resources.

Russian people are moderate in the *Power Distance* score on Hofstede's dimension (Naumov & Puffer, 2000). Power distance dimension shows to what extent society accepts the unequal distribution of institutional power. However, it must be some kind of “communication's tools” between society and people who hold powerful positions. We could assume that it could be either through corruption, where Russia is already “famous”, or through some kind of hidden to foreigners' type of relations (bridges). Also, the authors claim that Russians are high in Paternalism.

Research on knowledge sharing issues in Russia has been conducted by Michailova & Husted (2003). The authors found that Russians show NIH (Not Invented Here) Syndrome, Strong Group Affiliation, and Suspicion of Foreigners syndromes, which could be seen as barriers and confirming other differences between Russians and Westerners.

Analysing *Strong Group Affiliation* and *Suspicion of Foreigners* factors, we could logically conclude that Russians should form the groups hidden from strangers.

Apressyan (1997) describes the roots of Russian business ethics which coming from Soviet times and shaped recently by transition time relations. Apressyan highlights the great need for cooperation between Russian academics and business people due to the actual absence of Business Ethics research in Russia.

Analysing existing literature on business in Russia, we can conclude that those few previous attempts to study Russian business were explaining the weak government and political systems, high bureaucracy, crime and corruption issues,

unpredictable behaviour, slow decision-making process of Russians, and the country's instability and commonly found that Russian people shows opportunistic behaviour and a Machiavellian attitude (Puffer and McCarthy, 1995; Elenkov, 1998; Snavely *et al*, 1998; Fey *et al.*, 1999; Deshpande *et al.* 2000; Michailova, 2000; Sommer *et al*, 2000; Camiah and Hollinshead; 2003; etc).

### **1.1.3 How much attention must be paid to Russian Networks?**

One could ask the question to which aspects of Russian business life the most of attention must be paid?

Answering this question, Hutchings and Michailova (2006) claim that it is crucial that Western managers recognise the long-term nature of Russia's networking and development of trust (built on tacit knowledge).

Recent study on Russian network capitalism (Puffer and McCarthy, 2007, p 12) concluded that Russia would continue to develop its "state-managed, network capitalism", where with strengthening of the market capitalism Russia will be more attractive for foreign and domestic investments. The authors suggest that Western investors and businesses need to recognise that it will not be Western market capitalism and they "will need to find the way to work with Russian state-managed, network form of capitalism" (Puffer and McCarthy, 2007, p 12).

Unfortunately, even considering the importance of the issue, there are only few articles on Russian personal networks available.

Gibson (2001), in his political study of Russian democratic transition highlights the importance of social networks in Russia. Gibson (2001, p. 51) argues that "in response to totalitarianism of the past, Russians have developed extensive social networks with high levels of political capacity. These social networks are important means for diffusion of democratic ideas in Russia." Unfortunately, despite its value for political studies Gibson's (2001) paper does not provide much insight from the management studies viewpoint and does not provide network data but highlights the importance of social networks in Russia.

Studying ethicality of corporate governance decisions in Russia, McCarthy and Puffer (2008, p. 17) found that “networks are highly important to Russians, and especially people over age forty in the early 2000s were found to strongly refer to and rely on personal networks.” The authors suggest that such importance is caused by a higher degree of security and psychological defence.

Comparative study of personal networking in Russia and China was conducted by Michailova and Worm in 2003. The authors point out that “due to the Western (US/West European) dominance in business research, there has been less focus on personal networks than on organisational networks” (Michailova & Worm, 2003, p 509).

Personal networks are predominant in most emerging markets. Every society is built around patterned relationships among individuals, groups, and organisations; they express themselves differently in different cultural settings.

The authors adopted the Liebenskind *et al's* (1996) definition of social networks as “*collectives of individuals among whom exchanges take place that are supported only by shared norms of trustworthy behaviour*”.

Referring to Michailova and Worm (2003), there is widespread belief among Russians and Chinese that to succeed in the business in their countries, personal networking and social connections with the appropriate authorities or individuals are often more important than the price and quality of product or service or the technological expertise offered. For data gathering the authors conducted 29 in-depth interviews in Russia and 25 interviews in China over a period of six years. The longitudinal nature of the study became a methodological challenge since Russia and China changed dramatically over this period, so data collected could be seen as dated and demanding verification. Also, the authors did not provide actual network data.

Batjargal (2005) offers another comparative study where he investigates the difference between Russian and Chinese networks of entrepreneurs, and sees networks as an “important variable of explanation of entrepreneurial performance, because it enables entrepreneurs to recognise opportunities, access diverse

information and resources in a timely manner, which reduces transaction and monitoring cost, enhances learning and interpersonal trust, and promotes cooperation in and among others” (Batjargal, 2005, p. 2).

Referring to Batjargal (2005) the Chinese *guanxi* networks and Russian *svyazi* (connections), networks differ in terms of tie age, tie strength, perceived homogeneity, and interpersonal trust.

The author found that the personal networks of the Russian entrepreneurs are larger in terms of size, because the Russians are less particular than the Chinese. In the Russian networks, “social distances between members of in and out groups are not clear-cut, and therefore the Russian entrepreneurs are likely to report greater numbers of ties than the Chinese” (Batjargal, 2005, p. 6).

The author used telephone interviews as a data collection method, where such method could not be seen as reliable in exploring people’s lives and feelings, particularly with people from different and high-contextual culture.

Batjargal (2005) did not show the structure of Russian personal networks, characteristics of those networks and types of personal networks existing in Russia which are the cornerstone factors for research of networks. Batjargal (2005, p. 2) sees social capital in networks context as “networks of relationships and assets located in these networks.”

In 2006 Batjargal presented a longitudinal study of a partial explanation of the dynamics of entrepreneurs’ networks in Russia. Batjargal (2006) found that the mean network size in 1995 was 34 persons. A typical Russian entrepreneur had 12 friends and 22 acquaintances. Batjargal (2006, p 318) claims that “successful Russian entrepreneurs recruit only the richest contacts that enhance further their social status easing network creating, maintaining and revitalising activities.”

Batjargal (2006, p 306) highlights that “social networks are indigenous phenomena deeply embedded in Russian local cultural and historical traditions”.

Being a businessman in Russia myself, I could confirm that Russian business is built on personal relations. Personal networks allow gaining quick and direct access to a lot of resources, from accessing information on reliability of a partner or supplier to access to licences to be issued in-time. It has already been

mentioned many times that Russia is very difficult to deal with from a bureaucracy viewpoint and personal networks ties allow to keep the “doors” open. Personal networks are a vital part of Russian business life.

As an example of personal networks importance in Russian business life I want to share the story which has recently happened with me.

*My wife, a highly qualified medical consultant, asked me for support and assistance in establishing a small private medical clinic.*

*We created the business plan and realised that the best outcome could be achieved with the use of “administrative resource”. Administrative resource is access to licences and permissions, support from local or federal government, use of state budget funds, renting premises on low state-regulated tariffs, etc.*

*And also, it will be possible to have a flow of patients appointed by the state medical system for special treatment, and access to regulatory information hidden from the public.*

*So, I called my friend from times gone by who is presently the MP of local regional government. He made the appointment for the meeting within a few hours. Despite the fact we had not seen each other for few years; I could see that he still respects favours given to him a long time ago.*

*I found our meeting productive. My friend put me into contact with the chief consultant of regional clinics who is very interested in developing similar projects and able to provide the facilities for rent.*

*I did not receive all the answers but access to some state-owned facilities has been promised to me. And what is important, I gained the sense of support not just from bureaucrat but from a friend, which is very valuable in Russian terms.*

*Unfortunately, with the recent financial crisis, both of us realised that things could change unpredictably, but access to resources remain allocated to me.*

From my business experience, I could add that different personal networks hold access to different resources. For example, most security business in Russia is controlled by ex-militia or Army officers.

In Russia, if businessmen need to get access to certain resources, the first question we tend to ask our contacts is - "Who is in control of such and such resources and how to access the person in charge?" Such an approach is seen by Russians as the most appropriate in business.

Being frequently in contact with Scandinavians who are doing their business in the Murmansk area (North of Russia), I have noticed that instead of immersing into the Russian society and getting into some Russian networks, expatriates and foreign businessmen tend to create their own temporary social networks, where such approach makes their life in Russia even more insulated and difficult.

After a couple of years spent in Russia knowledge of the Russian inner life, access to information, or to have the valuable contacts remain unexplored for the Westerners. Being separated in such way from the Russian society Westerners look even more superstitiously in the eyes of Russians as people with some strange, snobbish attitude.

I have also noticed that Westerners are not realising about the existence of personal networks in Russia or at least not taking it seriously. Personal networks remain a mysterious phenomenon for them.

Even having realised that certain resources are controlled by a particular group of Russian people, Westerners tend to ignore such fact believing that everything in Russia should be useful for them as in their home countries. In order to get an access to resources, foreigners usually apply directly to the person in charge and then fail. They are ignoring the fact that those resources are valuable for Russians themselves and people in charge aiming to get their own personal reward or share in profit for signing correct papers or provide a service to their close contacts using their status advantage.

Despite their importance, networks in Russia were not studied in-depth leaving this area of knowledge highly fragmented, where it could be seen as a gap in academic literature.



#### 1.1.4 Social Capital

To understand what kind of value personal networks could provide to organisations or individuals, we need to look at the issue of social capital.

The concept of social capital was introduced by L.J. Hanifan in 1916 and referred to different daily lives tangible substances as good will, fellowship, sympathy, and social intercourse.

There is no single definition of social capital these days, where scholars offer different definitions of social capital.

Portes (1998) analysed different sources of social capital and examined their dynamics confirming the importance of social capital and provides different definitions of social capital offered by different sociologists, where:

Bourdieu, 1985 (in Portes, 1998, p 3) defines social capital as *“the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition”*

Coleman, 1988 (in Portes, 1998, p 5) defines social capital as *“a variety of entities with two elements in common. They all consist of some aspect of social structure, and they facilitate certain action of actors-whether persons or corporate actors-within the structure.”*

Loury, 1977 (in Portes, 1998, p 5) provides the concept of social capital as *“the differential access to opportunities through social connections for minority and non-minority youth, but we do not find here any systematic treatment of its relations to other forms of capital.”*

Durkheim, [1893] 1984 (in Portes, 1998, p 6) defines social capital as *“ability to secure benefits through membership in networks and other social structures.”*

Referring to Portes (1998, p 9), there are three basic functions of social capital, applicable in a variety of contexts: “(a) as a source of social control; (b) as a

source of family support; (c) as a source of benefits through extra-familial networks”.

Providing explanation why it is always difficult to gain access over resources Portes (1998, p.21) indicates that “social ties can bring about greater control over wayward behaviour and provide privileged access to resources; they can also restrict individual freedoms and bar outsiders from gaining access to the same resources through particularistic preferences.”

Portes (1998) also warns that social capital could have negative value like, for example, in group’s criminal activities.

Social capital is important for all levels of economy and political systems. Where in the words of Fukuyama (1999) in his report to the International Monetary Fund “social capital is important to the efficient functioning of modern economies, and is the *sine qua non* of stable liberal democracy” (1999, p 1).

Fukuyama highlights a few important functions that social capital plays in the free-market:

- Reduce the transaction costs associated with formal mechanisms like contracts, bureaucratic rules, and hierarchies
- Coordination based on informal norms
- Leads to greater efficiency than purely formal coordination techniques
- Political function (“art of association” using words of Alexis de Tocqueville)

Marsh (2002) points out that a rapidly growing body of literature across the social sciences is uncovering evidence that social capital, civil society, and community are crucial factors not only for the effective of democratic societies, but for the performance of market economies as well.

However, little array of the academic literature is available on social capital and the role of it in contemporary Russia. In order to have a better understanding of development of social capital in Russia, Butler and Purchase (2008) analysed the tendency of social capital use among Russian managers and found that high levels of trust are placed in interpersonal networks, with social connections playing an important business role, especially for information transfer. The authors

citing Batjargal (2003) claim that interpersonal networks are important in uncertain and unstable economic environments, as interpersonal trust mitigates risk and reduces the influence of turbulent macro-environmental changes.

Butler and Purchase show that in Russia, social relationships (friendships and fellowships) are linked to market relationships and hierarchical relationships through the concept of *blat* (Batjargal, 2003; Butler and Purchase, 2004, Michailova and Worm, 2003; in Butler and Purchase, 2008).

The authors used Nahapiet and Ghoshal's (1998, in Butler and Purchase, 2008, p 531) definition of social capital in their study, where social capital is defined as "*the sum of the actual and potential resources embedded within, available through and derived from the network of relationships*".

From the resources availability viewpoint, Butler and Purchase (2008, p 538) show that "networks established under the previous system are still considered reliable and stable by most Russians, but are now intertwined with new network structures. Therefore, resources embedded within personal and social networks in Russia have, to some extent replaced the nearly non-existent state-level infrastructure".

The authors argue that the use of social capital improves a firm's value creation (Tsai and Ghoshal, 1998, in Butler and Purchase, 2008, p 532) and "develops an organisational advantage either directly or indirectly".

The authors employed open-ended in-depth interviews with 11 respondents only as a data collection method for their research where interviews were conducted in Russian and then translated into English.

Answering the question why networks are important, Wellman (1979) argues that concentration of networks helps to organise social systems; a network of networks connects individuals, clusters, and collectives in complex way. Membership allows "access to diverse and differentiated resources not available through solidarity auspices" (Wellman, 1979, p1227).

Podolny and Page (1998) point out that network form of organisations may have unintended social welfare benefits like learning, legitimation and status, economic benefits, and other benefits (reduce uncertainty, sources of external constraint). Dore (1983, in Podolny and Page, 1998, p 68) argues that the “ethic underlying a network form of organisation is more consistent with a collectivist orientation and thus more prevalent in countries where individuals subscribe to the collectivist orientation.” Therefore, the authors’ suggestion is fully applicable for Russia.

Discussing value of social capital Putnam (2007, p 137) highlights the importance of social capital argue that social networks has value like tools (physical capital) and training (human capital). Putnam shows Al Qaeda as an excellent example of social capital, enabling its participants to accomplish goals they could not accomplish without that network.

Looking further into the issue of social support provided by personal networks Wellman and Wortley (1990, p. 560) argue that “community ties with friends’ and relatives provide social support that transcends narrow reciprocity”. The authors show that personal networks provide “five kinds of social support: -emotional aid, small services, large services, financial aid, and companionship”

Wellman and Wortley (1990, p 582) claim that “most relationships are based on the mutual exchange of intangible or mundane resources, and differences in socioeconomic resources do not play a significant part in their supportiveness”.

Also, the networks are important to the routine operations of households, crucial to the management of crises, and sometimes instrumental in helping respondents change their situations, and they look to markets and institutions to deal with their economic and political problems.

It is worth mentioning Burt and Ronchi’s (2007) paper on teaching executives to see social capital where the authors show that performance improves for executives educated in the network structure of social capital. Burt and Ronchi (2007, p 1180) found that “the science of social capital has an interdisciplinary heritage and, as such, provides a comprehensive framework for analyzing the issues that contemporary executives face, issues that are inevitably interdisciplinary in nature”.

## **1.2. Defining Research**

In this Part of Chapter One, the author defines the gaps in literature, working title of the doctoral thesis, research questions, and research population.

### **1.2.1 Gaps in literature**

Despite its importance, personal networks in Russia were not systematically studied and the knowledge of networks remains highly fragmented. The revision of academic literature shows that the actual structure and operational principles of personal networks in Russian business remains unexplored.

Actual networks relations were not examined either. There is not current empirical data on how personal networks influence the way things are done in Russian business.

Previous researchers don't show how the personal networks or groups operate leaving issues of trust maintenance, reciprocity principles, and other social norms open. However, Granovetter (1973, p. 1375) warning networks researchers that "in the absence of actual network data, all this is speculation". It must be noted that, unfortunately, Russians themselves are taking personal networks for granted and not studying or paying much attention to this phenomenon as being naturally immersed on the daily basis into it. Also, during the "Communists" time, the state system was not welcoming such research leaving a big gap in knowledge about Russian society.

Thereby, the aim of the present study is to explore the phenomenon of personal networks existing in Russian business and explain networks inner life through investigation on how personal networks operate - entry and exit rules, trust maintenance, social norms, and exchange of favours.

### **1.2.2 Research Working Title**

Primarily, the author's research interest was to study, in depth, the ethical aspects of Russian business which is a tremendously big area and could not be fit into the frame of DBA study. Considering the depth and complexity of the subject, where it will not be feasible in terms of the DBA study, the subject of the study had been reviewed and narrowed in order to make it achievable. After the extensive

literature review, the gaps in previous studies on Russian business have been identified.

The gaps left by the previous studies on personal networks in Russian business have determined the direction of this doctoral study. So, the author proposes to study **Personal Networks in Russian business: Structure, Rules, and Trust**.

### 1.2.3 Research Questions

The present research aimed to investigate the complex phenomenon of personal networks answering the following research questions:

- *What personal network groups exist in Russian business?* Having correctly identified personal groups existing in Russian business, we could study them in order to learn and understand their inner life, structure, rules, and habits.
- *What is the structure of Russian personal networks?* The aim will be to identify the strength of ties in personal networks, networks size, composition, density, and heterogeneity.
- *What are the entry and exit rules of Russian personal networks, social norms existing in them, and reciprocity rules among network members?* Answering this question, we could understand the inner life and operating principles of personal networks.
- *What is the definition and nature of trust in Russian terms and the significance of trust for network members?* Answering this question, we could understand how to maintain and successfully keep trustful relations with Russians.

### 1.2.4 Research Population

Research population could be defined as “a bounded set of entities with a common form, where population is limited by some social-system boundary” (Hannan et al., 2007).

Defining the research population, the main aim was to select people who value their personal business relations and involved in the daily search for resources,

information, and financing, living in the same social environment, being brought up in a similar environment. Also, it was important to talk with people who know the structure of relations in Russian society well.

So, the population of this study has been defined as active mid-level and senior managers and also owners of Russian organisations who are the members of personal networks existing in Russian business.

### **1.3 Structure of the Thesis**

The last fifteen-twenty years shows a great deal of interest about Russia and how to conduct business in Russia. However, the phenomenon of personal groups in Russian business have never been properly explored and explained. Even personal groups existing in Russian business have never been named and defined.

Using the advantage of employing effective research methodology, recent research has tended to find detailed data about personal networks.

Analysing research methods employed by the previous researcher, the most appropriate for these research methods were selected. Chapter **two** defines the research methodology, provides comments on research instruments and documenting study population responses, and explains how research data was analysed.

Chapter **three** of this research paper explains the experience of the Pilot Study where research methods were tested.

Personal groups existing in Russian business were defined and described in Chapter **four**.

The structure of personal networks is important for understanding how people connected, the strength and robustness of their relations, and robustness of personal relations. Also, the structure of networks influences the stability and

survival of personal groups. Chapter **five** reviews in detail the structure of networks and strength of ties in Russian personal groups.

Social norms are widely discussed in academic literature. However, we don't know much about social norms in Russian personal networks. What behaviour is seen as acceptable? Which social norms are most valued by Russian people? Do we know much about procedures and formalities?

Chapter **six** answers those questions describing inner life of personal networks. Important for managers' issue of knowledge and information sharing in context of Russian personal groups is also discussed in Chapter six.

Trust is a universally important phenomenon of human relations. A lot of literature devoted to trust but very little related to the issue of how trust is created between Russians. We even don't know how Russian people define trust. From a management prospective, we are interested to learn about ways of maintaining trustful relations with customers and partners and the development of it. Chapter **seven** presents insight into the different aspects of trust maintenance and development in personal groups existing in Russian business.

Chapter **eight** discuss the networks entry and exit criteria which may be of particular interest for businesses.

The summary of the present research findings are provided in Chapter **nine** Chapter eight also discussing practical contribution, and research limitations. Recommendations for further research conclude the thesis.



**Chapter 2**  
**Methodology**

*“Good social science is problem driven and not methodology driven in the sense that it employs those methods that for a given problematic, best help answer the research questions at hand”* (Flyvbjerg, 2006, p. 242).

## **2.1 Research approach**

The research methods employed for the present study must lead to the truth about networks and secure collection of actual data, allowing to fully answering the research questions using advantages available to this research effectively.

The aim of the present study is to provide much of insight into the inner life of the Russian personal networks supported by people’s voices and experiences, and flavour of Russian business culture where a methodology plays the crucial role.

Silverman (2006, p. 15) points out that “a methodology refers to the choices about cases to study, methods of data gathering, forms of data analysis etc. in planning and executing a research study... So our methodology defines how one will go about studying any phenomenon. Like theories, methodologies cannot be true or false, only more or less useful.” Therefore, we aim is to choose most useful methodology which will help us to answer research questions as fully as possible.

Strauss and Corbin (1998) suggest that “foreign students who plan to collect data in their own countries should use qualitative methods in order to reflect their society’s cultures”, so, a qualitative method of data collection was applied in the present study. Strauss and Corbin (1998, p.10) mean “by the term “qualitative research” any type of research that produces findings not arrived at by statistical procedures or other means of quantification. It can refer to research about persons’ lives experiences, behaviours, emotions, and feelings as well as about organisational functioning, social movements, cultural phenomena, and interactions between nations”.

Stern (1980, in Strauss and Corbin, 1998, p. 11) claims that “qualitative methods can be used to explore substantive areas about which little is known or about which much is known to gain novel understandings”. The phenomenon of personal networks in Russian business has not been studied at length. Using a qualitative approach we could describe the inner life of Russian personal networks, people’s experience, hear voices and opinions about the importance and development of personal and business relations.

Silverman (2006, p. 17) highlighting the importance of contextual sensitivity in studying tribes, families, groups of people defines “contextual” sensitivity as “that apparently uniform institutions”. This issue is particularly important whilst studying personal networks where relations between members are private and often confidential. Such contextual issue also directs the author towards choosing the qualitative method as most appropriate for the present study and allowing getting into the core of the studied phenomenon, i.e. authentic data.

“Authenticity” of the research data is important factor for the present study where in the words of Silverman (2006, p. 20) “the aim is usually to gather an “authentic” understanding of people’s experiences and it is believed that “open-ended” questions are the most effective route towards this end.”

The present study has an exploratory nature as not much is known about personal networks existing in Russian business. By the referring to Sekaran (2003, p. 119) “qualitative studies (as opposed to quantitative data gathered through questionnaires, etc.) where data are collected through observation or interviews, are exploratory in nature”.

It must be noted that the majority of the data was collected first time, i.e. primary, as very little if any actual data on Russian personal networks is available.

The cross-sectional research method had been chosen for the present study, where groups of people representing the population will be observed at a particular point of time or narrow period of time. Cross-sectional study allows approaching randomly selected different people allowing the research enrichment. We need to consider that cross-sectional research has advantage compared to longitudinal as more economical in terms of time and cost. At the same time, cross-sectional study has a disadvantage as not allowing the tendency of changes in the studied population to be seen.

Also, it must be considered that the longitudinal method could not be applied as any available data from the past. Thelen and Honeycutt (2004, p. 63) explain that “this can be attributed to the former Soviet Union’s unwillingness to admit Western researchers, which limited longitudinal analysis in Russia”.

The time boundaries of the DBA programme also puts certain restrictions on longitudinal study.

The quantitative research was rejected as the networks data is very private and it is doubtful that people would be telling the full truth about their private lives. Therefore, it will be impossible to collect sufficient data conducting quantitative research.

However, we must consider that research is set to answer the research questions and research methodology must be chosen appropriately. Strauss and Corbin (1998, p. 11) suggest that “a most valid reason for choosing qualitative methods is the nature of the research problem”. The authors argue that qualitative methods can be used to obtain the intricate details about phenomena such as feelings, thought processes, and emotions that are difficult to extract or learn about through more conventional research methods”. The research questions which we aim to answer are of such nature where emotions, feelings, people’ experiences are the key factors we want to explore and discuss where it will be confidential issues of trust, nature of networking relations, emotional and functional support in relations, norms and habits in networks, or entry requirements.

Strauss and Corbin (1998, p. 11-12) discussing three major components which researcher must consider whilst conducting the qualitative research suggest that “First, there are the data, which can come from various sources such as interviews, observation, documents, records, and films. Second, there are the procedures that researchers can use to interpret and organise the data. Written and verbal reports make up the third component.”

In order to answer research questions we need to employ the most appropriate methods. Also, it must be added about important role of descriptions as people commonly use discussing relations, events, actions, and emotions (Strauss and Corbin, 1998).

The phenomenon of personal networks existing in Russian business is relatively wide area which can’t be studied in brief and therefore split into workable research topics, i.e. research questions. From methodology point of view it was important to choose methods which could be successfully applied for researching all four research questions.

The author’s aim is to choose research methods that provide a rich approach to data collection enabling collection of valid and appropriate to the research questions data, allowing the description of the inner life and mechanism of

networks functioning. Therefore, the qualitative research methods were chosen for the present research.

## **2.2 Research philosophy**

Philosophers are distinguishing three main epistemologies of social science - positivism, relativism and social constructionism. Easterby-Smith, Thorpe, & Lowe (2002, p. 6) discussing sources of critical view of management suggest that “This has come from various sources, including postmodernism which rejects the rationality that is so strongly embedded in the idea of management; social constructionism which emphasizes that the most important part of management involves making sense of ambiguous and complex situations through conversations and dialogue and critical theory which tends to see management as an agent in maintaining power differences in society.”

Russian personal networks represent a broad, highly-contextual phenomenon and can't be viewed fragmentally. In order to investigate them, the researcher must realise the scope and scale of them. Referring to Easterby-Smith et al (2002) the observer is part of what is being observed. Being driven by human interests the researcher must provide a general explanation in order to provide general understanding of the situation.

The researcher using social constructionism required to use a small number of cases chosen for specific reason, gathering rich data from which ideas are induced. Therefore, this research investigation adopts social constructionism epistemology as most appropriate.

Blaikie (2007, p.9) suggests about four possible research strategies, inductive, deductive, abductive, and retroductive.

Inductive research strategy was chosen for this doctoral research as no factual data is available on Russian personal networks and all research data must be collected at “first-hand” and research questions being asked in the form “what”, where in the words of Blaikie (2007, p.9) - “The inductive research strategy starts with the collection of data, followed by data analysis, and then proceeds to derive generalisations using so-called inductive logic. The aim is to describe

characteristics of people and social situations, and then to determine the nature of the patterns of the relationships, or networks of relationships, between these characteristics. This research strategy is useful for answering “what” questions, but is very limited in its capacity to answer “why” questions satisfactorily.”

### **2.3 The view from Inside**

Despite its tremendous importance, personal networks existing in Russian business were not studied in-depth. Only few attempts were made in order to highlight social and personal networks in Russia. However, those few studies only confirms the existence of strong interpersonal networks in Russia but does not show the structure of Russian personal networks, groups of people involved, entry or exit rules, ethical norms in them, communication styles, and bases of trust, i.e. does not provide actual networks data.

We could assume that phenomenon was not studied properly due to the difficulty to access to the inner information. In the Russian view,, Westerners for many decades used to be as someone from another “planet”, people with strange mentality, childish and “simple” people, but almost an enemy. So, Russians are tending not to show their inner life to strangers or foreigners. Even opposite, they like to show a nice looking facade, which hides not pleasant back side.

This is historically traditional even for the Russians themselves. Here is old, famous story about “Potemkin village”.

*“Potemkin villages were purportedly fake settlements erected at the direction of Russian minister, Grigori Potemkin, to fool Empress Catherine II during her visit to Crimea in 1787. According to this story, Potemkin, who led the Crimean military campaign, had hollow facades of villages constructed along the desolate banks of the Dnepr River in order to impress the monarch and her travel party with the value of her new conquests, thus enhancing his standing in the empress’s eyes”. (Wikipedia; accessed 08.12.2008)*

Such a historical example remains in Russia at present as well. Rambler News has recently highlighted the story about construction of Winter Olimpyc-2014 objects in Sochi (Russia) which very much reminds us of the Potemkin village story.

Once in 2007, the commission from the International Olympic Committee was about to arrive in Sochi for inspection. With the new airport terminal not being completed, Russian authorities had decided to make “a show”. Students and tutors from the local institutions were gathered in the local airport in order to create an atmosphere of the living and functioning terminal. People were moving around, loading cars and buses, checking-in luggage, and so on.

On the way to Olympic village, all depressing houses were “dressed” with colourful banners.

Nearly one hundred new construction machines were digging, moving, excavating.

Tutors from the linguistic faculty of the local university were replacing restaurants’ staff for those few days making an impression that all service staff is fluent in different languages.

Locals had said to the correspondent: - “Would you think it were a real objects? No, it was a dust blown into the commission’s eyes.”

(Sochi-2014, <http://sport.rambler.ru/news/olympics/570191586.html>)

One could assume that foreign researchers had faced the similar scenario of “Potemkin village” whilst investigating inner processes in Russian business and social life. Therefore, as the research aims to investigate the hidden aspects of personal networks, the author should take the view from inside.

### **2.3.1 Insider Approach**

Previous studies do not provide actual data on social capital and networks in Russia, assumingly due to the foreign origin of researchers, as most research conducted to date in the area of Russian business ethics and culture has been mainly done by foreign researchers with no or very little involvement of Russian researchers, and where Suspicion of Foreigners syndrome mentioned by Michailova and Husted (2003) could be seen as the main barrier for Western researchers in gaining access to inner Russian knowledge.

Discussing the importance of distinction between two extreme positions, Insider and Outsider, Blaikie (2007, p. 11) highlights that “The choice has to be made

somewhere between two extreme positions. The first requires the researcher to stand back from social phenomenon being investigated, and to use methods that allow him or her to observe the phenomenon as an outsider. The second requires the researcher to be thoroughly immersed in the social situation and to use these insider and personal experiences as a basis for understanding what is going on.”

We could assume that such research shortcomings appeared due to the “outside” position of previous researchers, i.e. foreigners to whom only “facades” have been showed. Merton (1972, p. 15) shows that “the Outsider may be incompetent, given to quick and superficial forays into the group or culture under study and even unschooled in its language”. Without having proper access the Outsider can’t get to the real facts and actual social and cultural data about studied population.

Also, Dietz et al (2010) claims that it is often difficult for an Outsider to correctly decipher the true meaning of the cultural artefacts where such suggestion is particularly relevant in context of the present study.

The population of the present research, members of the Russian social networks, could be seen as a “tribe”. Silverman (2006) also notes about difficulty of crossing a frontier or boundary of the “tribes” where the Insider’s position helps in overcoming this barrier. I have used my advantage of Russian origin for entering different personal networks in different locations in Russia.

The author is using Merton’s definition of “Insider” and Outsider” where “Insiders are the members of specified groups and collectivises or occupants of specified special status; and Outsiders are the non-members” (Merton, 1972, p. 21).

Merton (1972, p. 11) stresses the issue of “the problem of patterned differentials among social groups and strata in access to certain type of knowledge, where particular groups in each moment of history have *monopolistic access* to particular kinds of knowledge. In the weaker, more empirical form, the claim holds that some groups have *privileged access*, with other groups also being able to acquire that knowledge for themselves but at greater risk and cost.”

Merton (1972) provides a good example where that only French scholars can understand French society, and only Americans, not their external critics, can truly



understand American society. Following Merton's logic, we could assume that only Russians can truly understand Russian society.

"Only through continued socialisation in the life of a group can one become fully aware of its symbolism and socially shared realities; only so can one understand the fine-grained meaning of behaviour, feelings, and values; only so can decipher the unwritten grammar of conduct and the nuances of cultural idiom" (Merton, 1972, p15).

We must stress the important issue who are Insiders in Russian view. They are not considering people who have moved completely abroad or was brought up abroad as proper Russians and taking them as "not ours" or "not proper Russians" and calling them "American", "Canadian", or "English". In Russian view, proper Russian should be brought up, educated, having a family, working, and living in Russia, and so, fully immersed into daily life and facing social realities of Russian life. The author is considered as the Insider as fulfilling all the requirements of such terms. Even living abroad for a while the author had been daily involved in socialising with Russian people, conducting business with Russian people and spending considerable amount of time in Russia and so, not distancing from Russian society.

However, referring to Merton (1972, p.22) "in structural terms, we are all, of course, both Insiders and Outsiders, members of some groups, and sometimes derivatively, not of others; occupants of certain statuses which thereby exclude us from occupying other cognate statuses".

In the light of the present study the author was also in the role of Outsider to the certain population groups where he is not a member. It was the groups like ex-officers, different ethnical groups, ex-FSB, and ex-Army and Navy officers. Members of personal groups in different to the author's original location had viewed him as the Outsider as well.

Also, living for more than a decade in the United Kingdom, the author has adopted some Western habits and approaches, which allowed him to have the position as an Outsider to a certain extent if it was needed. The Outsider's position allows

the author to avoid bias in analysing research findings and take multiple views on researched phenomenon.

Summarising this part of the paper we want to suggest that only the Insider can make a sense out of complex cultural context and explain how people survive in the turbulent environment of Russia, and so, the author took the role of Insider as most appropriate for the present research.

## **2.4 Research Methods**

The present research has the anthropological nature where in the words of Silverman (2006, p. 71) “anthropologists have recognised for a long time that cultural positions are relative, their insistence on the anthropologist as a cultivated European based within classic science seemed to be more long lived.” Silverman’s suggestion is becoming particularly relevant in the context of increasing globalisation. In the old days anthropologists were more concerned about the explicit nature of foreign cultures where these days’ researchers and practitioners are interested in exploring implicit aspects of foreign cultures as well. Perhaps, with sharp political and economical changes in countries with transition economies, the demand for anthropological research will remain stable for decades ahead.

Defining research methods the author considered national and cultural context, closed nature of the researched phenomenon, and complex structure of human relations in Russian society, where the feel of it must be delivered to the reader.

Marsden (1990) in his article on network data and measurement, shows that network data could be obtained via surveys and questionnaires, archives, observation, diaries, electronic traces, informants, and experiments. However, because the personal networks information is very private and so, it is impossible to collect enough data conducting quantitative research.

Previous researchers used face-to-face and telephone interviews, statistical data, and questionnaires as data collection methods (Batjargal, 2005; Michailova and

Worm, 2003; Michailova and Husted, 2003; Naumov and Puffer, 2000; Puffer & McCarthy, 2007).

Being foreign, they had not been able to conduct research in native Russian language themselves and we could assume it was limiting their choice of research methods. Tsang (1998, p 511) suggests that “identity of the researcher can be a critical success factor”. “First, communicating in the respondent’s language is of paramount importance, because the respondent may not be able to fully express his or her ideas in an unfamiliar language” (1998, p. 511). Secondly, Tsang (1998) identifies the importance of cultural understanding.

Also, it worth mentioning that without having “monopolistic access” (Merton, 1972) to Russian knowledge, foreign researchers have certain limitations whilst choosing research methods and therefore obtaining valid research data.

Analysing literature on Russian social and personal networks, the author had seen the need for a completely different to previous researchers’ approach if he wants to explore personal networks in Russian business, which remains unexplained so far.

In order to obtain relevant and valid data and considering national, institutional, and cultural context of the research the author employed three research methods which were applied simultaneously – story-based research, observational survey, and open-ended, face-to-face, semi-structured interviews.

I am using the snowballing technique which allows mapping the networks and establishing the truth about networks and justifying the validity of claims.

Asking respondents about known to them personal networks I have been able to map personal networks existing in Russian business and also, to identify the key characteristics of these networks.

#### **2.4.1 Story-based Research**

Certain complex phenomenon like human interaction, emotional intimacy, uniqueness of certain factors, strength of relations, or importance of traditions is difficult to express in straight words. Aiming to describe such issues, people often

tend to tell stories. Careful listeners could find a lot of details and hidden factors in the stories, which are necessary for understanding sensitive issues. Stories highlight implicit factors of national culture, traditions, and norms of behaviour.

This issue is particularly transparent in Russian culture. Wolfe (2000, p. 1999) quoting Ries (1997) suggests that “the everyday conversations she heard primarily among the intelligentsia in Moscow and discovers such speech acts to be performances in which storytelling genres appears as essential shapers of the transaction of meaning. These genres establish nothing less than the boundaries of what is thinkable; thus in the context of perestroika, she found these deep narrative patterns around suffering, powerless, and oppression to be impediments to popular engagements with the official agenda of social change.”

Story-based research has few crucial advantages for the present research. Boje (1991, p. 106) claims that story-based research is “a key part of members’ sense making and a means to allow them to supplement individual memories with institutional memory”. Stories allow the researcher to gain a feel of local, contextual meanings. Flory and Iglesias (2010, p.116) suggest that “narrative is the reflective product of looking back and making sense of stories constructed to make sense of life. Narratives are socially constructed discourses that not only derive their meaning from that context but also frame policies for subsequent action and interpretation.”

Gabriel (2000, p. 88) considers that “stories help communities to pass their spiritual, moral, and cultural heritage from generation to generation, they are vital for the instruction of young people, they generate behavioural expectations, and they offer models for emulation and avoidance. In some respects they collect material artefacts. Like artefacts, they sustain a set of values and form part of wide networks through which meaning travels”.

From organisations’ viewpoint of culture, Gabriel (2000, p. 89) suggests that “stories are approached as a sign of strong corporate culture, a culture that penetrates deeply into the lives of its members drastically, shaping their meaning systems.”

By referring to Boje (1991, p. 106), organisational storytelling could be viewed as the “institutional memory system of the organisation” where stories told by network members can be viewed as network memories.

It is difficult to fake real stories where Gabriel (2000) suggests treating stories as clues leading to the “truth” about the organisation.

Wilkins and Martin (1979, in Gabriel, 2000, p. 89) proposed “three major functions for stories and legends: sense-making and the transmission among organisational participants, generation of commitment, and social control”.

Discussing organisational climate or organisational conflicts, people sometimes prefer to tell a story which might express the meaning and explain the position of the parties involved. Boje (1991, p. 106) claims that “In organisations, storytelling is the preferred sense-making currency of human relationships among internal and external stakeholders”. Members of the Russian society could be seen as internal stakeholders where foreigners could be seen as external stakeholders who need to find or establish the “currency” of their relationships.

The definition of organisational stories is provided by Gabriel (2000, p. 239) where “stories are narratives with plots and characters, generating emotion in narrator and audience, through a poetic elaboration of symbolic material. This material may be a product of fantasy or experience, including an experience of early narratives. Story plots entail conflicts, predicaments, trials, coincidences, and crises that call for choices, decisions, actions, and interactions, whose actual outcomes are often at odds with the characters’ intentions and purposes.”

However, the story-based research has few downsides.

1 Referring to Gabriel (2000) the most evident danger of story-based research is the selective use of organisational narratives to amplify or reinforce the researcher’s preconceived ideas or assumptions. The author must always ask himself the question using Gabriel’s suggestions as, “What evidence stands or would stand in the way of my interpretation? What feature of my data makes me feel most uncomfortable?”

2 Story-based researches runs the risk of regarding stories as facts, especially if a storyteller insists that the events described in the story “actually happened” or that he or she actually witnessed them. Gabriel (2000) suggests that even scientists talking about “facts” are often making use of assumptions, and frames of references, presenting plausible stories rather than describing “objective” observations.

3 Gabriel (2000) points out about the issue of the opposite danger, where the researcher regards everything as narratives. Some post-modern approaches denies any difference between text and context, fact and fantasy, views all social reality as mediated by language and existing through language. Stories could be seen as expressions of deeper organisational realities.

In order to explore networks’ inner operational life and actual relations among members, the author has employed the story-based approach as the means of research experiment.

The author has collected stories about Russian social networks, structural characteristics of them, communication styles in networks, exchange of favours, possible support among networks’ members, and possible scenarios of trust maintenance in Russian society or simply life stories reflecting human relations. Despite the stories from the author’s experience, stories also were collected from the author’s acquaintances and research respondents during the interviews, which were conducted in the present research.

#### **2.4.2 Observational Survey**

Silverman (2006) suggested “researchers should not only use their ears but eyes also during the research”. Observation would be seen as an important resource in understanding the characters, viewing events, actions, norms, values and is valuable for understanding Russian culture and traditions.

The aim of the observational survey is to monitor environmental factors, structure of networks, observe connections in networks, and communication styles. Sekaran (2003, p. 255) points out that “observational study can provide rich data and insights into the nature of the phenomena observed”.

By referring to Marsden (1990, p. 444-445), observational method has an “advantage of increasing naturalness and possibility to yield greater descriptive accuracy” whilst researching networks where this advantage of observational survey was of great help in verifying interviewees’ responses.

Silverman (2006, p. 71) noted that “if one is really to understand a group of people, one must engage in an extended period of observation. Anthropological fieldwork routinely involves immersion in a culture over a period of years, based on learning of language and participating in social events”. Being native in the Russian language, naturally participating in Russian personal networks, and having rich experience of Russian society, the author’s observation can be considered as valuable for anthropological research.

Here we can see an important role of being the Insider where the author physically witnessed different events, cases, knowing the context, and having the “common sense” in the local view. Having advantage of the Insider the author is able to see people in their natural settings – at home, in the office environment, during fishing trips, or private parties; and observe how people dressed, proving their status, sending different signals, etc. The author’s physical presence has added during such events helps to understand the networks’ environment in depth.

The role of participant-observer was played by the author in the present research. The author has entered the site as a natural member of Russian society, where the position of the Insider gave him an advantage in this anthropological research.

Observational survey provides three unique advantages (Sekaran, 2003, p. 253):

- “The data obtained through observation are generally more reliable and free from respondents’ bias.”
- “Easier to note the effects of environmental influences on specific outcomes”
- “It is easier to observe certain groups of individuals”. This factor is particularly valuable whilst studying social networks.

Silverman (2006) adding that observation has three crucial insights:

- It switches attention away from a more psychological orientation around what people are thinking towards what they are doing.
- It shows the analytic issue that lies behind methodological puzzles.
- It firmly distinguishes social science observational work from journalism.

Sekaran (2003) reminds about possible respondents' bias in observational study where the observed could behave differently during the period of study and data collected in the first few days should be discounted. However, this factor could be neglected in the present study as observation was done by a natural member of the Russian society (the author), where the studied population was relaxed. Adler and Adler (1987, p. 20) consider that "since most groups in the society have things they want to hide from other groups, people present fronts to non-members. This creates two sets of realities about their activities: one presented to outsiders, and the other reserved for insiders".

However, the role of observation in the present study is more of supportive or supplementary nature as helping in interpreting talks and actions of networks members, understand networks routines and procedures, people interaction inside particular network and different networks, patterns of behaviour towards members and non-members.

Participant observation allowed enriching two other research methods – interviews and story-based research.

Observation helps to view "signs" or in the words of Silverman (2006, p. 72) – "signs systems", which highlights and characterise important networking futures like signals, special verbal forms or signals or spot anomalies. Careful observation helps in systematic analysis of interviews and stories.

Using results of observation the author been able to set his identity with accordance of interview context and research site, to identify gatekeepers (for example, business groups) and so, gaining native access to the respondents.

Extended observation allowed monitoring people in different life circumstances, i.e. formal, informal, extreme, relaxing, etc., which helps to identify hidden aspects of networks' life.

Also, Silverman (2006, p. 93) explains that "one of the strengths of observational research is its ability to shift focus as interesting new data become available" where this advantage is helpful for research progress in investigation of broad issues like social norms and knowledge sharing. Having noticed some new phenomenon the author had been able to reflect it in the interviews questions or look at the phenomenon from different perspectives.



Observation provided the pass to enriching the common sense about studied subject. By referring to Maynard (1989, in Silverman, 2006, p. 102) “In doing ethnography, researchers attempt to draw a picture of what some phenomenon “looks like” from an insider’s account of the phenomenon and for some audience who wants to know about it. The ethnographer, in general, is in the business of describing culture from the members’ point of view.”

### **2.4.3 Interviews**

Having collected stories and observed the research population, the researcher wants to hear the real voices and to receive clear answers on research questions securing direct access to the source of information.

Byrne (in Silverman, 2006, p. 114) defending qualitative research suggests that “qualitative interviewing had been particularly attractive to researchers who want to explore voices and experiences which they believe have been ignored, misrepresented or suppressed in the past”.

Silverman (2006, p. 113) suggests that “one of a strength of qualitative research is its ability to access directly what happens in the world, i.e. to examine what people actually do in real life rather than asking them to comment on it.” During the interviews, the researcher could get detailed data, confirm results obtained from the observational study, collect stories and confirm results from previously collected stories. Interviews allow getting data which is recorded “first hand”, where it is vital for researching unique phenomenon.

The author has played the role of emotionalist interviewer, as he wants to explore population experience on how their social world was constructed. Silverman (2006, p. 123) notes “the emotionalist interviewers want to access the subject behind the person given the role of interview respondent. Emotions are treated as central to such experience”. Silverman (2006, p. 123) adds that “the key here is to obtain rapport with respondents and to avoid manipulating them” which is important with Russian population famous for their emotional attitude.

Searching for “authentic accounts of subjective experience” (Silverman, 2006), the researcher expects to explore population ties inside networks, feel for trust, inherited and adapted social norms, and communications’ styles.

Silverman (2006, p. 124) suggests that “most emotionalists tend to reject prescheduled standardised interviews and to prefer open-ended interviews.”

There are 31 formal interviews were conducted for the present research. Interviews were conducted face-to-face where the author was able to adapt the questions during the interviews for each respondent, ensuring understanding with respondents. Face-to-face interviews allow observing the studied population whilst questioning where rich data could be obtained. Watching the body language of respondents, the author has been able to detect discomfort or problems which interviewees experience.

The list of interview respondents is provided in Appendix 1.

Interviews were conducted in the form of open-ended questions as this form is commonly used in life history interviews. Silverman (2006) noted that open-ended questions allowed respondents to answer fully and in their own way - “freedom to talk and ascribe meaning”. By referring to Silverman (2006) open-ended interviews involved active listening and researcher must be flexible in his approach.

Byrne (2004, in Silverman, 2006, p. 114) points out that “open-ended and flexible questions are likely to get a more considered response than closed questions and therefore provide better access to interviewees’ views, interpretation of events, understandings, experiences and opinions.”

Semi-structured interviews were used in the present research as the researcher has entered the interviewer’s site with a predetermined sequence of questions and knowing what the outset of information is needed. Semi-structured interviews are often called “conversation with a purpose”.

Silverman (2006, p. 110) suggests that semi-structured interviews required some probing which could be done during the pilot study, establishing rapport with interviewees, and understanding the aims of the project. Semi-structured interviews create the atmosphere comfortable for researcher and respondent.

Semi-structured interviews provided a great advantage in the context of the present study allowing discussion of different new questions emerging from the interviewees’ responses. The nature of semi-structured interviews allows tailoring

questions to each particular respondent and keeping within a frame of research questions.

The author has been able to bring interviewee back to the same question discussing the same issue from different perspectives, verifying previous responses, discuss complex issues, or complete unclear information.

Semi-structured interviews are particularly advantageous when researcher doesn't have much chance to talk with respondents more than once.

It must be considered that the value of interviews data could be questioned because of emotionalism and constructional approach of respondents. Also, we must note that it may be appropriate to address issues of truthfulness in what interviewees tell us. Interview data could not be taken for granted as it has involvement of the people emotions, and a tendency for wrong interpretation of facts.

This doctoral study is bounded by time and resources available and therefore, it was important to estimate minimum size of sample (number of interviews) which must be representative and sufficient from research viewpoint, and clearly define "respondents' portrait" in order to pre-select most interesting people and collect as representative as possible data and provide dependable and valid information about Russian personal networks. Therefore, the set of selection criteria were applied whilst choosing potential respondents.

Respondents must be involved in different but possibly all known personal networks and living in different locations allowing gaining more representative picture and exploring the phenomenon of Russian personal networks. The issue of accessibility to different networks were considered as one of the key crucial factors in context of the present study.

People should be of different organisational ranks, statuses, and being from different industries. Having access to respondents of higher organisational levels who have different organisational structural roles, active in daily business, and valuing their networking relations we could gather rich insightful information about personal and organisational relations.

Also, we could gain richer and broader information talking with people from different background, different gender, age, and educational level.

Respondents were chosen from different industries and business activities, with different business experience, organisational positions, geographical locations (Murmansk and Moscow), male and female, different ages, and of course, members of different networks.

The voices of female respondents are particularly valuable for this study. Unfortunately, it was difficult to balance the number of male and female participants due to prevailing male nature of Russian business. Only five female respondents (16%) were involved in formal interviews. However, it must be noted that more often female respondents were prepared to participate in informal discussions of research questions being active in such conversations.

It was important to take measures for avoiding possible bias in interviews' responses and secure independent views. The author was making sure that respondents did not know what other respondents, even known to them, have said during previous interviews. The author's views and opinion or opinion of other respondents were not discussed prior to interviews except general information about subject and applicability of the present study.

In order to secure access to research respondents the "snowballing" technique was applied. First few interviews were conducted with known to me people and business partners. Then respondents were been asked to name their contacts who could potentially be involved in the research as respondents and appropriate in regards with the selection criteria, and willing to participate in this study. Considering the confidential nature of networking relations respondents were been asked to introduce and reference me to potential participants.

For example, a person was asked – Do you know anyone from ex-militia network or do you know anyone who is retired Army officer? Could you introduce me to him and ask him to be involved in the interview?

Such approach allowed me to generate sufficient list of respondents from all known networks where without such approach it could be difficult to access them as located in different and often closed networks, gain insightful data about inner life of personal networks existing in Russian business, and fulfil research requirements.

Clear addressing of the research questions became the crucial point of asking questions during interviews where objectives were to gather relevant to the research topic information, to receive answers for all four research questions highlighted in Chapter One, and gain insight of the studied phenomenon. In order to develop the balance between general discussion of the topic and discussion of defined areas of research areas. Interview questions were been grouped around particular research questions. The interview process was strictly monitored in order to keep the conversation within the frame of research questions. The interview procedures discussed further in paragraph 2.5.3. The list of interview questions is provided in Appendix 2.

#### **2.4.4 Why other qualitative methods were rejected?**

The author rejected other qualitative researched methods as less appropriate for the present doctoral research.

*Repertory Grid Technique* is applicable when understanding of individuals' perceptions and constructs are needed, where present research is interested in descriptive data.

In the case when the researcher needs to explore what one will do in some specific situation, then *Projective Techniques* can be applied (for example, market research) where this approach is not relevant to the present research.

*Group and Focus Interviews* are inappropriate due to possible respondents' bias, difficulty in getting people from the same group together, and possible social pressure on respondents. Also, the group interview wouldn't provide such intense data as face-to-face in-depth interview with a single respondent.

It must be noted that archives, electronic traces, and diaries can't be used in this study as any data from the past available.

### **2.5 Data Analysis**

Whilst analysing data my primary aim was to provide the reader not just with the "stone-set" results but with the natural feel of the researched phenomenon sharing author's enthusiasm of being out "into the field" (Silverman, 2006, p. 380).

#### **2.5.1 Analysing Stories**

One should consider that the story-based method is more about quality rather than the amount of research material collected (Gabriel, 2000) where stories allow exploratory researcher methodologies to gain and interpret a more comprehensive understanding about certain phenomena rather than positivist quantitative methodologies (Flory and Iglesias, 2010).

Collected stories were placed into the story-pad being recorded in the different forms, as the coded name of well-known story, brief record with the use of memorable key words and phrases, or full story transcription. Each story was immediately analysed after collection and results were placed on attached memos.

Following the Silverman's (2006, p. 165) suggestion I have used the structural method of stories analysis where my primary aim was to distinguish the categories of networks' functions and provide the description of a certain function or action.

Stories were analysed in order to extract data on emotional load of personal relations, functional advantage of networks, types and strength of relations between network members, types of support and norms of reciprocity in networks, network's entry procedures, importance of traditions and habits, or simply making a sense of Russian personal networks environment.

Particular attention was paid to the messages behind stories where such messages was written at the end of each story memo and used later in the present paper. Considering often hidden and private nature of personal networks it was important for this research to distinguish what is left behind or "said between lines" but having a great sense in the context of Russian personal networks.

### **2.5.2 Observation Analysis**

The researcher viewed inside of personal networks; as such impartiality was essential where the researcher's own experience became central at the beginning of observation.

After definition of personal networks existing in Russian business I have been able to structure my observations even more effectively. I kept asking the question on what people say and how they act in their networks.

The observed events were placed into running field notes as the means of supplementary research data which were used further for reviewing the outcome at intermediate stages, interpreting research data and enriching the research outcome in a whole.

### **2.5.3 Interviews Analysis**

All interviews were conducted in the Russian language and tape recorded with the respondent's permission and than fully transcribed. Few randomly chosen interviews' transcripts were translated into English.

Straight after the interview the notes on discussions left behind the tape, things which were discussed before and after the interview, respondent's reaction to my questions, and people's suggestions about my research were taken. This was as the preliminary or observational stage of interview analysis.

The majority of interviews were transcribed by me and this job as being slow, word-by-word, and precise, has added a lot to my own understanding of the responses.

Following Strauss and Corbin (1998) suggestions I have divided the analysis of interviews into few stages. Analysing the transcribed interviews I have focused on the relevant to the particular research questions parts of interviews and how the respondents interpreting the discussed issues.

Reviewing direct and indirect responses which were told in the form of metaphors, micro stories, or allegories the notes were taken and placed into general categories relevant to each research questions. The notes were taken on following categories:

- definitions of friend, mate, trust
- networks existing and their descriptions
- types of relations in the networks and frequency of contacts

- relations with relatives and use of their networks' resources
- structural relations and density of group's members
- personal groups' boundaries
- institutional, cultural and local context
- importance of emotional support
- maintenance and development of trust, and importance of trust
- available to group resources and approach to sharing of them
- social norms in groups: execution, monitoring, personal views, norms of interactions in personal groups
- knowledge and information sharing
- duration of interpersonal relations
- entry and exit procedures

Then, each category was subdivided into smaller subjects. Whilst analysing each subject I have used Strauss and Corbin (1998, p. 77) approach and kept asking questions – How? Why? What?

The aim of asking these questions was to confirm the goodness of data collected, get into the core of responses, and gain the feel of data.

In addition, the responses were compared with observation results.

Also, the provisional running records of conversations with informal respondents were taken separately and included into the author's analysis, interpretations and findings.

#### **2.5.4 Getting inside of problem**

The present study has following inter-linked core areas of interest, which were explored during this doctoral research:

- Identification of the personal groups
- Structure of personal networks in Russian business
- Trust maintenance and significance of it in Russian personal networks
- Entry rules of networks
- Reciprocity rules or rules of exchange existing in networks
- Social norms of networks
- Entry and Exit from networks



### 2.5.4.1 Exploring Networks and Structure

In order to identify personal groups existing in Russian business, respondents were asked to name groups in which they are involved on a daily basis and also that of any other known groups.

Bian (1997, p. 373) in his study of Chinese guanxi, measured two types of tie strength: role relation (relatives, friends, and acquaintances) and intimacy. Bian's approach strongly influenced the author's decision to explore and measure the structure of personal networks using two types of measures – role relations (relatives, friends, mates, acquaintances, colleagues) and intimacy based on emotional and reciprocal support.

Respondents were asked to explain:

- Who have helped them recently in borrowing large amounts of money?
- Who would you ask for help if you need to borrow money?
- To who have borrowed a large amount of money?
- Who from outside of your organisation has recently helped you with your business arrangements?
- Who do you approach when you want to talk about your inner feelings? Who provides you with most of emotional support?
- Who are the people you enjoy socialising with?
- Who do you consult when you want to talk about your job or business issues?

Particular attention was paid to the issue of kinship relations, the significance of it, role and forms of support between relatives.

Granovetter (1973) suggests measuring the strengths of network ties by using the time spent together. "The strength of a tie is a (probably linear) combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie" (Granovetter, 1973, p. 1361).

Respondents were asked about their view on the strength of ties in personal relations, and types and significance of relations considering time spent together, value and forms of mutual support, and emotional load of relations.

Also, respondents were questioned about duration, maturity, and stability of ties or length of relations and how long it took to maintain relations from the moment of introduction to the present state.

In order to understand networks and their participants (leaders, bridges, isolates, etc.), the author will be using Granovetter's suggestion finding the centrality of nodes evaluating the location of actors in networks.

In the light of investigation of the centrality in personal networks, the author had asked the following questions:

- Are there any grades or rank of membership in your groups?
- Who could be seen as the central person in your group?
- Who could be seen as most respected?
- Is there any difference in time spent with different group members?

Questioning the population about attitude towards groups' outsiders, the view on in-groups and out-groups people (own, not-own), the author investigated the clarity of the personal groups' boundaries.

Also, in order to enrich the data collected, the approach taken by Bastani (2007) in the study of personal networks in Tehran was adopted for the present study, where networks structure has been explored using four features.

Network size is often an indicator of social resources" (Bastani, 2007, p 359) and measured as the total number of persons who provide different types of support and who have an intimate or significant relationship with a respondent is the network size (Fischer, 1982; Wellman, 1988 in Bastani, 2007). Network size is defines by number of ties in network.

Respondents were asked about the number of people in their groups with whom they have significant relations and provide different types of support.

For measuring network composition, each respondent was asked a set of questions to generate the names of network members, where it will show the type of relations, describe types of relations, and time spent together. "The composition of the networks is indicated by the percentage of specific relationships in the network: percent kin, friend, neighbor, and coworker" (Bastani, 2007, p. 361).

Network density, "the extent, to which network members are connected to one another, is calculated from respondents' reports of relationship between others" (Bastani, 2007, p. 366).

The main goal of measuring density is to find how the respondent's members are involved with each other (Bastani, 2007, p. 366) and to investigate how members deal with each other in the business and personal context.

Respondents were asked on how groups' members are involved with each other, what kind of services are provided between them, could they expect to have access to the groups' resources, and so on.

The network heterogeneity of a personal network in the words of Bastani (2007, p. 368) "measures the diversity of persons an individual can contact within her or his interpersonal environment. High diversity indicates contacts with multiple spheres of activity. Hence a diverse network provides access to information from multiple sources." Granovetter (1974, in Bastani, 2007, p. 368) suggest that "researchers have found this to be advantageous for instrumental purposes, such as finding a job".

In order to investigate networks, heterogeneity respondents were questioned about spheres or range of business activities of personal groups' members.

#### **2.5.4.2 Exploring Trust**

Russia, as any multi-national society, could be seen as a complexly constructed country. We could assume that Russian people have their own, different to Westerners, definition of trust. Based on this assumption, the author needs to find how trust is defined in Russian terms, where definitions brought by Dietz and Hartog (2006) were being used as specimen definitions whilst questioning the population.

Nooteboom (2002) shows that trust and significance of it influences transaction costs, knowledge exchange, and nature of relations. So, the significance of trust in network relations in different networks was considered as an important characteristic influencing different market and business factors.

Using Nooteboom's (2002) approach (Electronic components industry case), the author has collected the data on the following trust significance parameters in order to investigate the significance of trust in relations.

HAB-Habitualisation (routinization),

- How long have you been in relations with this person?
- Do you understand each other well and quickly?
- Do you never have a feeling of being misled?

INST-Institutionalisation (regulations within relations),

- In this relation, you and this person are expected not to make demands that can seriously damage the interest of others?

HI - Habitualisation/Institutionalisation (Habitualization+Institutionalisation+item),

- In this relation informal agreements have the same significance as formal contracts?

SLE - Size of loss ego,

- Can you afford to break with these person/persons?
- If the relation with this person breaks, would it take much effort to fill the gap in the group's solidarity?

PLE - Probability of loss ego

- Is the risk in this relation sufficiently covered by the third-party guarantee and some other means?

In order to achieve an understanding on how Westerners could maintain the trust with Russians, i.e. pass from being distrustful to a condition of being trustful, the respondents were asked to name the factors influencing the transition moment from being distrustful to real trust.

Investigating the nature of trust in Russian society or how trust developed, respondents were asked about their views on conditions of trust maintenance answering questions:

- What do you look for in someone you trust?
- What are the indicators of a stranger's trustworthiness?
- Does trust appear from fulfilling social norms first?
- Which indicators of trustworthiness do you prioritise most?
- What are the most important indicators you look for whilst establishing trust?
- If you need a new contact, what do they have to do to earn your trust?

Also, significance and applicability of Mayer *et al's* (1995) Ability-Benevolence-Integrity Model in Russian business was tested during the study, where the factors of perceived trustworthiness were investigated.

#### **2.5.4.3 Exploring Inner life**

Considering that inner life of Russian personal networks has not been discussed before, this study investigated the following personal networks' aspects:

- Social norms existing in networks and their significance
- Reciprocity rules or exchange of favours rules among network's members
- Access to resources and principles of distribution or allocation of groups resources
- Importance of keeping norms within personal groups
- Terms and conditions of exchange operations
- Respondents' view on *blat* issue
- Time-lag in networks' operations
- Principles of knowledge-sharing in personal networks
- Network's entry rules
- Voluntary and non-voluntary exit rules

## 2.6 Geography of research

One could say that Russia is a huge country, and data collected in one place can't be representative and most probably people from different areas of such a huge country like Russia have different views on personal networks issues.

Hannan et al (2007, p. 302) define "audience segments as subsets of an audience that are largely closed with respect to interaction and communication. Such closure often takes a spatial form: social networks tend toward spatial closure. Therefore, audience segments likely form in spatial patches. This mean that agreement about labels and their meanings might also vary over space. Perhaps, variation over local audience segments in the legitimation of categories also plays a role."

In order to get representative data and investigate whether the population in different locations view the same network's issues differently or not, the author conducted research in two Russian places, Murmansk and Moscow.

The use of author's personal and business arrangements in these cities allowed reducing travel costs of the research (a downside of the face-to-face interviews).

Murmansk is the most Northern Russian regional city with a population of 300,000 people. Murmansk located above the Arctic Circle and 2100 km away from the capital of Russia – Moscow. Murmansk was founded in 1915 and traditionally people originated from all regions of Russia live there representing different social

and ethnical groups. Beside being the busy sea and fishing port Murmansk is nice and quite place with little number of productions located there.

Moscow is the capital and the biggest city of Russia. Very dynamic, overcrowded, with people of more than 160 nations living there, Moscow is the political, financial, and cultural centre of Russia. A lot of foreign businesses established their offices in Moscow.

## **2.7 Theory**

Grounded theory has been chosen for the present study as the author does not begin a project with a preconceived theory in mind. Grounded theory is “theory that was derived from data, systematically gathered and analysed through the research process” (Strauss and Corbin, 1998, p. 12).

Grounded theory could be seen as most suitable for this study as drawn from data, is likely to offer insight, enhance understanding, and provide meaningful guide to action, which is most suitable in case of exploratory study where comprehensive investigation of the subject is required.

The key element of the Strauss and Corbin’s approach is the theoretical sensitivity, where the researcher should provide theoretically supported meaning to the data collected. In the words of Bernard (2002, p. 473) “data do not speak for themselves. You have to develop your ideas about what’s going on, state those ideas clearly, and illustrate them with selected quotes from your respondents”.

The author is aware of the Glaser’s (1992) approach which offers to enter the site without having a predetermined subject.

Strauss and Corbin’s approach is more interested in validation criteria and a systematic approach to research, where the research subject should be predetermined before entering the site. With a clearer rather than Glaser’s approach structure, Strauss and Corbin’s approach saves the researcher’s time and resources.

**Chapter 3**  
**Pilot Study Experience**

*This chapter discusses the Pilot Study findings and experience of using employed research methods.*

### **3.1 Introduction**

In order to verify robustness and appropriateness of employed research methods the Pilot study was carried out during the first stage of the present research. Pilot Study has a “nature of research “trial run” and “pre-testing” of research methods and instruments” (van Teijlingen and Hundley, 2001).

Pilot studies allow adjusting and correcting interview questions according to interviewees’ responses, and confirm selected measures and metrics of the research. Through the application of the Pilot study, the author expects to gain the “feel” of respondents’ responses, context of the research, and predefine the base of research respondents. van Teijlingen and Hundley (2001) suggest that “pilot studies may also try to identify potential practical problems in following the research procedure”. The author sees testing appropriateness of chosen research methods as a prerequisite of any successful research.

Defining the Pilot Study, the author has distinguished three main objectives. Identifying personal networks existing in Russian business is the key point of the research where without it the whole study becomes meaningless and not having much chance for success. To be appropriate and effective, research methods were tested through the Pilot Study, where all three employed research methods were combined in the Pilot Study in order to gain depth and breadth of data collection.

So, the Pilot Study has three main objectives:

- To test the most appropriate methods chosen for this research.
- To identify the personal networks existing in Russian business.
- To identify the most important aspects of the life of personal networks.

### **3.2. Testing research methods**

This section provides the overview of the employed methods field testing, in terms of appropriate and reliability of chosen the research methods.



### **3.2.1 Observational Survey**

Being a natural member of Russian society and having an advantage of being the Insider, the author has played the role of participant-observer and used the observational survey as a supplementary method of data collection naturally immersing into the research environment.

It will be difficult to draft the interview questions without clear understanding of what issues are to be discussed and areas to be highlighted appropriately. Observation allows identifying sensitive areas, which must not to be asked or avoided completely during interviews. For example, Russians often don't like to name their contacts. Pushing hard for some names the interviewer could ruin the interview completely. This issue was particularly highlighted by few respondents.

Observation provides the chance to learn a lot about population, their beliefs, preferences and values; and gain the feel of people's life and influence of environmental factors. Also, the number of new ideas and suggestions for further research has come as the result of observation.

The author has applied the observational survey before applying other research methods. Using the findings of the observational survey, the author had drafted the set of questions for interviews in understandable, ethical, and a natural manner for Russian people.

### **3.2.2 Interviews**

#### **3.2.2.1 Trial Interviews**

The primary set of interview questions were created and tested during five, open-ended, structured, face-to-face, trial interviews in July 2009 in Murmansk (Russia). The trial interviews were taken with the author's company staff and also friends where in case of mistakes, the author expected to hear fair comments and suggestions from respondents; and also, considering that research reputation will not be damaged in the case of the author's fault.

The trial interviews have showed that the originally prepared set of questions is not appropriate as being too broad, time consuming and not answering research questions appropriately. Responses were quite vague and consequently not answering research questions. Also, respondent's organisational dependency to the author could be seen as one of the reasons for dependable answers and brief form of answers. The author learned to spend more time discussing research prior to interviews.

However, trial interviews had paid their part into research adding primary information about groups existing and population's evaluation of them.

Having analysed the outcome of the trial interviews, the set of questions was redrafted accordingly where the revised set of questions has been used further during the formal interviews.

With the Pilot Study progress, the author's approach to the interviews has changed accordingly in respect not only questioning but personal involvement in interviews making it more a friendly informal discussion rather than doing it formally.

### **3.2.2.2 Formal Interviews**

With the trial set of interviews being completed and analysed and necessary amendments being done the author have proceed to collect data using face-to-face, semi-structured interviews with open-ended questions which allows him to record data at "first hand".

We must mention few difficulties which were faced during the interviews:

- The interviewees of the present study are from variety of business positions where it was important to be flexible and responsive to their working schedule.
- It was not always easy to agree the time for interview as people were either not taking it seriously or being exceptionally busy and tend to postpone it for as long as possible.
- In most cases, respondents are prepared to talk for less than an hour only as being busy where it makes long detailed discussions impossible.

- Some respondents tend to answer in some imaginative way where it was necessary to ask the same question few times from different perspectives in order to clarify the issue.
- Technical problems in voice recording, i.e. poor sound, strange noises. Due to the technical problems, a few interviews were damaged.
- A fundamental problem was faced at the stage of transcribing interviews. Any of transcription software like nVivo in Russian language is available. So, a lot of manual time-consuming work is involved.

In order to complete the Pilot Study stage of the present doctoral research, beside the trial interviews, sixteen full-scale interviews were conducted in Murmansk (Northern Russia) in the period from August 2009 to April 2010. Having completed the Pilot stage the author had continued with collecting interviews for the main stage of the present study.

All interviews were conducted in Russian language and took an hour in average.

Also, in order to collect as deep and precise as possible data, more than sixty Russian people from the author's business and personal circles of relations were informally questioned in private face-to-face and telephone conversations about crucial research issues, verification of research observation findings, and commenting of unclear questions. Feeling the personal involvement in research, my acquaintances willingly discussed specific issues for personal relations often adding valuable remarks.

All respondents are male and female business owners, occupying different managerial positions, from Sales Manager of small private company to Managing Director of large fishing company.

Prior to each interview respondents were introduced to the research subject and aims. In order to avoid the respondents' bias only general information and traditional views and any of author's personal comments were provided prior to the interview.

Ethical and confidentiality statements were declared to each respondent prior to each interview. Those statements were very welcomed by respondents.

Respondents consider ethical and confidentiality statements as confirmation of respect of their privacy and their feelings.

For instance, in order to gain access to respondents from “shadow” business group I have asked for a group leader’s (gatekeeper) permission to talk with people. Such permission was granted based on my membership in the group and promise that all information will be treated with the great sense of confidentiality.

Pilot study experience confirms the appropriateness of in-depth face-to-face, semi-structured interviews with open-ended questions. Interviews allowed respondents to talk and answer the interviewer’s questions in their own manner and talk freely not being limited in time, forms of responses, expressing their thoughts and feelings in convenient way. Face-to-face interviews allow clarifying and discussing doubtful issues straight away in order to find appropriate and understandable meanings for all. The Researcher could ask the same question a few times using different words if needed.

If respondents would be offered to fill some kind of questionnaire, then it will be a more formal approach and not exploring their actual thoughts and feelings, and therefore not exploring true researched phenomenon.

With more rapport being established during the conversations, the author was allowed to ask sensitive questions, which can’t be asked using formal questionnaires.

Also, face-to-face interviews allowed observing and sharing emotions with respondents, talk with them in their language, share life experiences and to be not just interviewer and interviewee but some kind of research partners.

Interestingly to note, that respondents often showed their lively interest about progress of the research enthusiastically adding their thoughts and remarks.

### **3.2.3 Story-based Method**

We don’t pay particular attention to different stories and facts happening daily in our life unless very existing. Stories are embedded in our conversations and often

express our feelings, experience, and impressions. Whilst we are going through our life history we tend to recall not just facts but our impressions and stories around it. Without stories our social conversations will be “dry”, without much flavour in them, and more formal. Stories can be told in different manners, as fairy tales, as life anecdotes, or as an explanation of some experience.

Stories are sitting on the back of our mind. We even tend to forget about them fairly quickly as in the most cases our life issues are taken for granted but we remember well some extraordinary stories. People can usually identify made-up and real stories, which distinguishing actual truth and facts.

Collecting narratives appeared to be a very exciting exercise. Listening to friends and acquaintances, we could understand a lot about people’s life and business experience. In the words of Flory and Iglesias (2010, p.114) “the way people talk about the world has everything to do with the way the world is and ultimately understood and acted in.” Pilot study confirmed the appropriateness of story-based method where in Russian high-context culture; stories play the role of a powerful device of how Russian people define and understand social norms, human interrelations, ascribed meanings, and the world around them.

Despite the stories from the author’s own life experience, stories told by research respondents were used in this research.

Stories could be long and broadly explaining different phenomenon. However, the tremendous research value seats in micro stories which are briefly told during the cigarette brakes, or fishing trips, or just in the common conversation. Micro stories are the part of daily conversations. Boje (1991, p.107) suggests that “the important fact is that most stories is done in conversation and involves the listeners in various ways”.

In most cases, respondents had difficulties telling stories during the interviews but probably with their memories being awake it was easy to get some short or long stories from them having coffee after the interview. Those stories add a lot of sense to the issues discussed during the interview or highlighting certain personal views.

Exchanging micro stories with the respondents helps the author to establish communication standard which is the crucial point of the anthropological study. Taking the author as Insider people willingly shared many stories with him. Stories are authentic. They can't be played. Stories are the good method in explaining uniqueness of relations, norms, principles in researched phenomenon. Asking questions face-to-face, we could get some response, truthful or not completely, where the real life stories show the actual richness of relations, emotions, values and preferences.

Discussing issues traditional for the population, it was interesting to see how stories reflect respondents' "nostalgia" about certain aspects of old days and good facts like saying for example, "we used to have lively and friendly meetings each Friday and..." or "at those days I used to know everyone around docks and...".

The author noticed that even if his respondents were not prepared to talk directly about their own experience, they have been telling stories replacing their own name with any other saying something like "I know the guy; he had been at Chechnya war".

Stories have added sense or "juice" to the data collected, supported interview and observation results, confirmed robustness and validity of respondents' information, and lead to some new clues about further investigation.

Actually, this research experience could be told to others as an exciting story itself.

### **3.2.4 Insider Approach**

Insider approach provided the main methodological advantage to this research. Taking me as the natural member of Russian society, respondents have talked freely and shared their experience without much hesitation. Knowing and fully understanding the context of Russian personal networks, the author has been able to interact with respondents as with research partners where people voluntary helped in arranging new interviews with their friends allowing deeper

access to the groups of militia and Army officers, and ethnical groups and referencing him as the Insider at the same time.

Also, the Insider's position allows access to very confidential business groups where it will be difficult for an Outsider to hear business group's member testimonies.

Whilst discussing the research questions with respondents and sharing similar with them in-group experience, the author has been able to establish emotional intimacy with respondents where it will be difficult for the Outsider.

Talking the same language with respondents, not Russian, but contextual language helps to avoid sensitive situations. For example, respondents were not asked to name their contacts and particular details of exchange operations as such questions can be detrimental for the research in Russia.

Discussing sensitive issues like exchange operations, *blat*, emotional support, the researcher must show not just knowledge of the subject but his personal involvement, experience, and deep understanding of these issues in specific local context. The Insider's local knowledge also allowed asking clarifying questions straight away avoiding doubts in responses.

Being the Insider, one can observe the population even without them noticing where it can be seen being the great advantage for anthropological research.

The Insider position allows the researcher to select most relevant for the research respondents using the choice and not the chance whilst employing interviews volunteers.

Russians are known for distancing themselves from foreigners and not being enthusiastic about discussing their inner life with Outsiders. Respondents were questioned a few times - "Would you talk with the foreigner about your personal groups?" and typical response was - "I will not talk about such things with a foreigner, he will not understand me and will be asking the wrong questions."

### **3.2.5 Discussion**

The purpose of choosing research methods is to advance the quality of research. For this reason and considering the anthropological nature of the research, three

research methods, observational survey, face-to-face interviews and story-based method were chosen.

Research methods chosen can be viewed as most appropriate, complementing, and satisfying in regards with context and aims of the present research.

Having added private discussions with non-formal respondents, the author has been able to broaden the research respondents' base, collecting independent non-biased suggestions where the research data was enriched.

The chosen research methods can be viewed as superior to the methods previously used for studying Russian networks allowing exploring explicit and implicit sides of Russian personal networks.

Also, based on my experience I would like to recommend snowballing technique to other researchers for establishing networks' data.

The research methods have been tested and confirmed as being appropriate for the present doctoral research. Three combining research methods, observational survey; face-to-face structured interviews, and story-based research, are allowed obtaining supplemented data in depth and details about personal networks in Russian business. So, we may conclude that the main aims of the Pilot study were achieved.



**Chapter 4**  
**Personal Networks existing in Russian Business**

## **4.1 Introduction**

Henry Fairchild (1937, p. 6) viewing business as an institution, suggests that “more specifically, by a business I mean the organisation of social elements into a unit designed for the production and supplying of material goods and certain types of personal services. Its essential earmark is the integration of two or more social elements.”

Studying personal networks existing in Russian business we may look at personal groups as business units as personal groups are created by a number of social elements, i.e. individuals, and creates values for members providing support, personal services, allowing access to network resources.

## **4.2 Definitions and meanings**

Previous researchers of social networks in Russia were not of Russian origin in their majority. Despite their trial to understand the basics of relations existing in Russian society, they were using the “spot light” approach, i.e. studying certain aspects, which could be seen on the surface without going deep having difficulties exploring implicit aspects of Russian networks.

My observation has showed that Russians have different to Westerners meanings and definitions of some very common words and meanings which supports Wolfe’s (2000, p. 202) suggestion that “anthropologists of the former Soviet Union are in the midst of dealing with the multiple meanings”.

Entering the research field we need to understand how the population defines and understand critical for research meanings otherwise we will not have the common language and understanding between research and population. If we wouldn’t establish the standard in research language then we are at risk of losing common ground with the studied population and have difficulties whilst establishing rapport with people.

In order to bring better feeling of relations in Russian society to the reader, I have decided to start with defining of such crucial for Russian personal networks or human relations meanings as friend and friendship, particularly considering that friendship in Russian terms has big emotional value.

### Friend, Friendship

The word Friendship in Russian language sounds as Druzhba. Referring to the dictionary of Russian language (Ozhegov, Shvedova, 2002), friendship in Russian terms means *close relations, based on mutual trust, dependency, and mutual interests* (2002, p. 181). The word Friend (Droug – rus.) in Russian language means a person who is connected with someone by friendship (Ozhegov, Shvedova, 2002, p 180).

However, English words ‘friends’ and ‘friendship’ have different meanings in comparison with Russian definitions.

Friend is someone who you know and like very much and enjoy spending time with (Longman Dictionary of Contemporary English, 2003, p 645) and Friendship is relations between friends (1) or the feelings and behaviour that exist between friends (2) (2003, p 645).

Friend is the most entrusted person, most close, emotionally connected, and sharing same views and norms. For example, Marina Shustova (38, female, business owner, Murmansk), defines friend as “A person to whom you trust, share your point of view and social norms”.

So, we could see that friendship in Russian terms has a much deeper emotional meaning rather than the same word in English. English meaning of friend would be equal to the Russian meaning of word “mate” (Priyatelj-rus.), defined as close and friendly related well-known person (Ozhegov, Shvedova, 2002, p 604).

### Mate

In the Russian language the word Mate (Priyatelj-rus.) means close and friendly related well-known person (Ozhegov, Shvedova, 2002, p 604). In the English language, the word Mate means someone you work with, do an activity with, or share something with (Longman Dictionary of Contemporary English, 2003, p 1014).

All respondents pay particular attention to the emotional load of friendship ties where relations with mates are less emotionally loaded in their view. Respondents who are frequently dealing with foreigners confirm that Westerners usually don't understand or able to absorb the actual meanings of Russian words ‘friend’ and

'mate' considering similar format of personal relations in Russia and in their home countries.

Having established the difference in meanings we could progress without fear of being misled or misunderstood whilst collecting and interpreting research data. In order to avoid double standards and possible misreading meanings and definitions existing in Russian society were taken as standard definitions for the present research.

#### **4.3 Personal Groups Existing**

Six personal groups were initially pre-identified - ethnic groups, retired army and militia officers, kinship relations, classmates and college mates, "shadow" business groups, friends.

Using the "snow-ball" approach whilst carefully observing Russian population, asking friends and acquaintances, and discussing later with the interviews' respondents the author received different to the original assumption result.

There are ten personal groups which exist in Russian business. These ten personal networks/groups are considered by Russian people as most important from their life and business perspectives and traditionally existing except business groups which appeared fairly recently.

Here is the list of personal groups existing in Russian business:

- Friends
- Mates
- Relatives or kinship
- Classmates and college mates
- Ethnic groups
- Ex-militia officers
- Ex-army or Navy officers
- Ex-FSB officers (former KGB)
- Colleagues
- "Shadow" Business groups,

Each personal group deserves separate explanations and comments, which are provided below.

#### **4.3.1 Friends**

Friends are the most stable groups in Russia. Usually consist of two to six people with relations lasting from five to forty years with least time spent together.

Russian people have a lot of different sayings confirming strong relations between friends; “friend is someone with whom I have gone through fire and water”, “friend is always friend, in sorrow and in joy”, “closed friend is better than remote relatives”. For example, Mikhail Kraplya (36, male, owner and MD, Murmansk) discussing his relations with friends, suggests “a friend is much closer person who is not physically the member of my family but being included into this circle.”

The respondent from Moscow, Mikhail Smirnov (45, male, Chief Architect, Moscow) explains that friend is the dearest person in his circle of relations.

Aleksey Kim (38, male, Security Officer, business group, Murmansk) discussing definition of friend says - “This is really close people, with whom I can share something, entrust something, and appeal with any request.”

Interestingly to note that relations of friends are characterised by caring and kind treatment of each other. Respondents don't expect to demand anything impossible or difficult to fulfil from their friends seeing it as inappropriate. For example, Aleksandr Grachev (42, male, Sales Manager, Murmansk) says that he will not ask his friend for anything out of friends' potential possibilities.

The relations between friends don't need to be supported on a frequent basis where the inner feeling of the friend's presence is considered as the actual connection.

There are no formalities between friends. In Russian terms, proper friendship is not bound or limited by the time factor or place. Friends are ready to provide support at any time of day or night and without asking many questions. For example, Aleksey Kim explaining his reaction for a sudden friend's request for help says - “At any time; day or night. And if my help is needed I will get up and go to do it.”

Respondents distinguish the difference in relations with friends and relatives considering that friends are not given as relatives but carefully selected through life. Relatives must be supported because of blood obligations and family responsibility, where friends supported and cared because of the sense of emotional unity or human love.

Confirming strong emotional intimacy with friends respondents suggest in the words of the respondent Aleksey Kim (38, male, Security Officer, Murmansk) - "Friend is a person from whom you feel the emotional support or emotional exchange."

Respondents say that they can talk with relatives about general life issues where with friends they can share full spectrum of emotions, from inner feelings to discussion of sensitive work related matters.

Respondents characterised their relations with friends as most trustful, confident and reliable, with highly developed norm of reciprocity, and emotional support. All services and favours between friends are provided on the free of charge basis. Friends share feelings, support each other in any situation, and often these relations are stronger and more valued rather than with relatives.

Friends share available resources on the free of charge basis. All kinds of minor or major support can be provided between friends. It may range from providing place to stay for long time (for free) to borrowing affordable amount of money for unspecified time. For example, Zinaida Novikova (36, female, Financial Director, business group, Murmansk), whilst taking care of her friend's kids pays out her own money for entertaining, food, toys, etc. and considers this as absolutely normal.

Respondents highlight the importance of mutual obligations and emotional comfort in friendship. For example, explaining her view in friendship, Zinaida Novikova says that "friendship is some kind of work for each group's member in order to keep emotional comfort with the group and enjoyment of group's membership. People must not only receive but give something out in return. It is like the permanent mutual exchange."

Whilst establishing business the friend can get most of the help in the way of renting office, loans, use of office facilities, documentary support, staff outsourcing, etc. It will be done for free or just covering costs.

From a management perspective viewpoint, it is important to consider that friends in Russia easily sharing their resources including confidential information even if they work in competing organisations.

The loss of friend is considered as heavy irreplaceable loss where respondents even don't think about possible replacement and often such loss is taken as personal tragedy.

Groups of friends are not big and usually consist of two to six people.

#### **4.3.2 Mates**

Mates are representing much bigger than friends group. It could be up to twenty people in one group. Relations between mates are less trustful rather than with friends but still very friendly. Vladimir Edunov (47, male, Commercial Director, Murmansk) discussing relations with his mates suggests - "Mate is a person to whom you trust but spend less time, and not so close as a friend."

Russian people distinguish two categories of mates – old mates and mates.

Relations with old mates established long time ago but have not reached such level of intimacy and trust as between friends. Old mates are almost friends and considered as fairly close people.

Relations between mates are not as emotionally loaded as between friends and respondents often consider mates as well-known acquaintances.

It takes less time to establish relations between mates rather than between friends or old mates where in respondents' words, it usually takes at least two or three years before someone could be considered as good mate and not just an acquaintance.

Russian people spend a big share of their social time with their mates. They could go together for all sorts of activities like a party, some celebrations, joint holiday trips, camping, or just for social conversations.

However, even being frequent, the relations between mates taken by Russians are not as valuable as with friends and relatives.

Relations between mates are still informal but not as strong as with friends. In the words of respondents, relations with mates must be somehow supported on the regular basis otherwise quickly lost.

Russian people consider relations with old mates and mates as more functional and less emotionally loaded. Mates still share different resources on the free of charge basis and support one another in life and business issues.

Russian managers use their relations with their mates for information gathering and access to some remote resources allocated in different networks.

#### **4.3.3 Relatives or kinship relations**

Relatives and particularly next of kin are valuable, respectful and important for Russian people.

Parent and adult-child relations are characterised by great care and support during their whole life. Adult children are traditionally obliged to support parents until their last moment. For instance, placing parents into a hospice for elderly people is considered a shame in traditional Russian terms.

All respondents confirm that in most cases they will try to keep relatives away from problems or worries as the matter of care and respect and where it possible respondents would not be asking their relatives for support in such issues like money borrowing unless vitally necessary. For example, Aleksey Kim (38, male, Security Officer, Murmansk) discussing his relations with relatives explains: "I love my relatives and respecting them much. Considering my little life experience, all of those named things like borrowing money, trouble sharing, etc, I am trying to keep them away from these things. Usually, those things mean problems. I don't want my problems to be theirs. But not money, not financial issues, certainly. I try to avoid such things with relatives; not to put them into inconvenient position. As we



use to say, not to load them with my personal burdens. Because, I know that they have enough of their own problems. That is the way our life is; in our country.” Relatives could provide some valuable advice or be trustful sources of different information.

Relatives are not mixed in the same personal groups where each are involved in their own circle of relations, where kinship relations can be viewed as bridges for short term access to another group. For example, one could reference himself as some group’s member brother and be welcomed but for one-off or limited number of operations only.

Kinship relations are often valued by Russian people as the same in strength or sometime even less than with friends but considered as being much stronger than with others. Respondents consider kinship relations as separate from any other type of relations, i.e. with friends, mates, or colleagues. For example, Vladimir Berezkin (60, male, ex-Navy officer, owner and MD, estate agency, Murmansk) says: - “Whatever, I like him or not, he is still my relative by blood. I must keep those relations. If I consider myself as a decent person I must keep this relation and develop it.”

However, sometime, close relatives are connected by remote relations. Being related by blood people are not always related by spirit. In such cases, people prefer to spend their time or share emotions with friends or old mates rather than with relatives. Kinship relations have different to relations with friends’ relations capacities.

In any case, Russians respect relatives and taking care of them where it is possible, valuing the sense of family.

Structurally, the relations between relatives are complicated itself. It is like a separate small world. People have different relations in strength with different relatives. We have a different level of trust with different relatives. We can share our inner feelings with some relatives where we don’t want even see others. We are not choosing our relatives - they are given to us. We can’t say that our kinship relations are strong or weak as we can define the strength of ties in other personal groups. Kinship relations should be viewed as separate types of ties - kinship ties,

which must be divided into strong and weak. We will return to further discussion of kinship relations in Chapter five in greater detail.

#### **4.3.4 Ethnic groups**

In the context of the present study, we discuss ethnic groups, which are the groups of national minorities who live away from their home places. There are more than hundred of such groups in Russia - Georgians, Dagestan, Jewish, Avartzy, Lezgins, Osetians, Chechens, Armenians, Tatars, Azerbaijanis, Koreans, and so on.

Those groups are very restricted from access point of view and not allowing anyone from outside to be in. Bahry and colleagues (2005, p. 521) in their study of ethnicity and trust in Russia explain that “people extend their confidence to a narrow set of ingroups – to family, friends, and others like themselves, but seldom beyond. Ethnic difference is thus assumed to generate a high level of ingroup trust, but little or no confidence in others.”

The only the way to get inside of such a group is to be married to the member of such group where it still take some time to be fully accepted. I have gained the access to the ethnical group of people from Dagestan with my marriage. I have been introduced to the closest relatives and family friends before the marriage as the matter of acceptance. Then, after the marriage following the Dagestan's tradition, we visited the big number of friends and relatives. All of them were very polite and courteous to me. Actually, even being in frequent contact, it took more than two years for me to feel as being accepted by this group.

Even if the person had been in long friendly relations with one of the members he/she, is still not allowed to get inside. Aleksey Kim (38, male, Security Officer, Murmansk) being the member of Korean ethnical group sharing his experience of entering into Tatar's ethnic group - “It could be some mutual action. Again, I am using a bad example about war, about people who had been at the Chechnyan war together. I am not aiming to get into the ethnic group and be the friend with someone. Two of them have been together at some military action. May be one of them is Tatar and, let's say, another one is Russian. It put them so closely together that when they came back home, the Russian is sure that Tatars are very

good people whatever people are saying about them as he refers to his own real experience. Later on, visiting his friend, or say so, spending some time with him, he can gradually get into this circle or relations, but he still would not be the full member of this society (Tatars). They will know that he is a nice person because he saved their fellow countryman. It will be very good interaction; will be some requests of a certain level but not more than these. Some help may be provided but not more. It will be considered as the tribute to respect, as some kind of a debt's payback, may be moral debt). Tatars will be thinking that their countryman would be probably left by others, but this guy didn't leave him suffering even considering that he is Russian and not Tatar and has helped anyway.”

Often such groups target particular resources and successfully controlling them. It could be anything, different kinds of trades, from silver trading and financial services to illegal activities like drugs distribution. Ethnic groups are famous in Russia for the members' mutual life and business support. For example, the group of Azerbaijani people holds all Murmansk region fruits and vegetables trade, including retail, storage, and even all food market's stalls. For last five years, no one has been able to sell even a bag of potatoes or carrots without agreeing with them.

McPherson et al (2001) using example of USA shows - “race and ethnicity are clearly the biggest divide in social networks today in the United States, and they play a major part in structuring the networks in other ethnically diverse societies as well.” Respondents from ethnical groups explained two major reasons for such groups being separated, securing cultural authenticity and protecting themselves from injustice. Ethnic groups are carefully keeping their own cultural traditions and habits in order to protect their authenticity and pass it over to the next generation. For example, Zagidat Tumalaeva (40, female, Dagestani, medical consultant, Murmansk) notes that people in the ethnic groups are caring more about cultural traditions rather than people permanently living at their homeland place. Discussing reasons of ethnic groups' unity Aleksey Kim (38, male, Korean, ex-militia officer, Security Officer, Murmansk) says - “We are somehow the same in our relations, in some moral aspects, in the way we talk. Whatever, I have met other Koreans and we are always very quick in finding common language. I think that is similar with other ethnical groups.”

Ethnic groups keep their own cultural values, ceremonies, formalities, and habits carefully. Respondents suggest that keeping cultural traditions within groups' boundaries living in the old-fashioned way and keeping traditions like respect of elderly, marriage traditions, childrearing principles, faith, beliefs and values is important for passing to the next generations. For instance, my wife's family is caring about their heritage and even publishing books about their ancestors in order to memorise them and pass the experience to the next generations and make them proud of the family historical heritage.

Ethnic groups were traditionally diverse but with the beginning of Perestroika and the Chechnya war, the issue had sharpened and particularly towards people originated from Caucasus region. Respondents originated from Caucasus often mention that they feel injustice and assaults towards them. They are often being stopped by militia for the identification check without any particular reason. The entry barriers for education, credit facilities, promotions, and other life aspects are much higher for them.

#### **4.3.5 Ex-militia groups**

Retired militia officers and staff are creating strong closed isolated groups. Only ex-militia people are allowed to be in. Ex-militia groups have own strict norms, codes of conduct, and highly valuing "officer's honour", where such approach regulates groups' functioning. For example, Aleksey Kim (38, male, ex-militia officer, Security Officer, business group, Murmansk) says - "Referring to my circle of people with whom I am tightly in contact, with whom we have been boiled in the same pan together; we live by the old-fashioned meanings. We are not thinking about us by ranks but by spirit. We have such meaning as it always used to be the "court of officer's honour". We don't need to invite anyone from aside to judge some conflict situation. We think that we are able to discuss everything, anyone's faults without taking some judge's functions."

It could be different in strength but robust relations within the same group. Members of ex-militia groups are supportive to each other helping in accessing

administrative resources, sharing information, and other life issues. For example, Marina Shustova (39, female, ex-militia officer, business owner, Murmansk) suggests - "We have some kind of clans with very strong ties between us. It looks like relations between Eaton or Cambridge graduates"

All relations in militia groups are based on respect to the previous ranks and positions. Present achievements are vaguely considered. It does not matter if the person achieved a high position in his/her civil life, he/she still will be paying a respect to other member with a previously higher rank.

Ex-militia groups usually involved in different security services, from banks' and organisations' security to solicitors' service. There are 800,000 people involved in private security enterprises in Russia, where the majority of staff is former militia people. There are 5349 of such organisations in Moscow and almost 27000 in Russia (Data for 2009; <http://chekist.ru/print/2867>)

Working in different areas of security and protection services, ex-militia people could influence nearly all law enforcement activities, get access to confidential information, like credit reports or personal files, and so on.

#### **4.3.6 Ex-Army and Navy officers**

Retired Army and Navy officers groups are similar to ex-militia groups in their composition, procedures, and respect to ranks and positions. Retired officers groups, also strictly isolated, where membership could be gained only by retired officers or military circle. For example, Vladimir Berezkin (60, male, retired Navy officer, owner and MD of estate agency, Murmansk) explains - "This is the closed group. And even if it will be growing it will happen only because of other officers coming."

Ex-army or Navy officers' inner groups' relations are based on the same principals as ex-militia groups where respect is paid referring to the previous ranks and positions of command. They remain being colonels, captains, majors for each other despite their achievements in civil life.

Having moved after retirement into different places, ex-officers keep their relations, meeting with each other, arranging meetings at a convenient for all place and time.

Relations between retired Army and Navy officers could last for many years. For example, Vladimir Berezkin discussing duration of the relations between officers says - "We don't have so tight relations as between close friends but our relations are still stable. I have been retired fourteen and a half years; and we are regularly support and keep our relations."

The author's observation shows that ex-Army and Navy officers are very supportive to each other particular if someone has problems or looking for a job. If we see an ex-officer in the top organisational position then we will see a big number of other ex-officers as his deputies and managers of all levels, where in such organisations the formal routine would prevail over the management professionalism and logic of organisational development.

#### **4.3.7 Ex-FSB groups**

FSB (Federal'naya Sluzhba Bezopasnosti, *rus*) is a former famous Russian intelligence service called KGB.

Ex-FSB officials are forming the closest groups. They don't have any friendly relations with other groups being very isolated. Even respondents from other groups don't like to talk about them.

The author has not been able to get access to ex-FSB officials group for interviews. However, the stories or opinions of research respondents are provided below:

Aleksey Kim (38, ex-militia officer, Murmansk) explains his experience of ex-FSB people - "This is absolutely separate group. There is some friction between militia and FSB people. Of course, FSB is on the top, i.e. former KGB. Some job specific. Why? I have the acquaintances from FSB, retired and acting. I will be honest; it is very difficult for me to talk with FSB people. But knowing their specific circumstances we have laughed: - "You had been brought up purposely for this job". Some kind of mystery is blowing from them. Not to say anything, not more than needed. No one talks about trust with them. These are just acquaintances

and not the close people; just known people. You can feel some kind of aura around them; that the person is constantly under some tension, constantly not saying something. He keeps asking questions but never responds to yours. Even in the meaningless social conversations, purely about life and family.”

Vyacheslav Sergeev (52, ex-Navy officer, Russian Capital Bank, Head of department, Murmansk) discussing ex-FSB group says - “We have similar values but one thing which I never like in them or I will never accept – all methods are good for reaching the goal. They can step over the friend, may be over their mother. I don’t know whether they will step over a son or not. If you “have eaten a lot of salt together” (Russian proverb) with him and he may need to step over you then he will do it. They are trained in such a way. I don’t trust them. There are some excellent people among them but somewhere on the back of my mind I have, in case if something may happen, keep the distance.”

#### **4.3.8 “Shadow” Business Groups**

The phenomenon of “shadow” business groups is fairly new for Russia where such groups appeared during Perestroika, in last fifteen years or so.

Business group is the group, where independent businessmen are united around some wealthy, well organised, creative, and charismatic leader. They have time-tested relations based on unconditional trust to each other. All members act towards mutually agreed business tasks, complement each other by their abilities and support each other in different aspects including non-business issues. They use the same language and tacit code of conduct. Such groups are not criminal but could be involved in some illegal business activities.

Khanna & Rivkiv (2001, p. 45) explain that “Business groups - confederations of legally independent firms - are ubiquitous in emerging economies, yet very little is known about their effects on the performance of affiliated firms. We conceive of business groups as responses to market failures and high transaction costs.” The authors confirm the prominent role played by business groups in emerging economies, in Argentina, Brazil, Chile, India, Indonesia, Israel, Mexico, Peru, the Philippines, South Africa, South Korea, Taiwan, Thailand, and Turkey wherein 12

of those business groups indeed affect the broad patterns of economic performance.

However, none of the academic literature is available on Russian business groups so far.

Defining business groups Khanna & Rivkin (2001, p. 47) define business groups as “a set of firms, which, though legally independent, are bound together by a constellation of formal and informal ties and are accustomed to taking coordinated actions.” Confirming Khanna and Rivkin findings on business groups’ structure, we can say that Russian business groups’ members are not subordinated to each other and legally independent. The reader must clearly understand that in Russia the business group are not financial-industrial groups but groups initiated by independent business owners merging their own organisational resources and capabilities based on personal relations and secured by personal obligations.

Explaining tendency in forming clusters which are similar to the business groups Burt (1992, p.21) suggest that “with a trustworthy primary contact, there is little loss in information benefits from cluster and a gain in the reduced effort needed to maintain cluster in the network.”

Business groups are not so visible or easily recognisable where only respondents who are directly involved in such groups or well aware about business groups due to their business activity confirmed the existence of business groups in Russian business.

For example, Mikhail Kraplya (36, male, Owner, MD, Cape of Hope Ltd, Murmansk) confirms the existence of business groups for sure, adding that “they are shadow groups. They are not publishing about themselves in newspapers. Business groups act perfectly for own goals and have perfectly organised structure.”

Aleksey Kim (38, male, Murmansk) being Security officer of the business group involved in the fishing industry, financing, and construction, explains that with the leader staying at the top and respected by other members. “Each member is functional in own way, completing own parts of group’s task and bringing their own share of information. They are more likely to share the information within the group rather than with somebody else. Each member is being supported by others



in case of trouble. That is the case. Those relations are being transferred into the things that we have: a) high level of trust in business, b) high level of trust in life. Relations are confirmed by the years of their personal relations, knowledge of them, and can't anyhow be different. Because, if from the very first days, or may be month, there will be no mutual understanding or no joining between them, then both will be the businessmen but will be in the different business groups. Of course, business groups exist. They are not so visible, not so obvious. If you try to sort out some issue which is in the area of activity of such group, it will be better to get directly to the leader or to be introduced to the leader of this group who leads it with his enthusiasm, financial support and so on. So, there is no need to go around, just directly, agreeing your actions, agreeing your action's principles."

Zinaida Novikova (36, female, Murmansk) is Financial Director of a business group discussing the issue of mutual support among business group members explains - "There are a lot of business groups in different industries. They are more effective rather than single business and have lower costs. There is fair pre-agreed principle of the profit sharing which is built on trust. A stranger or unknown person or not trusted person can't get into the group. He must be entrusted before getting an access to those calculations, which are based on trust, fair use of [resources] and not legally supported agreements. The maximum of available information must be collected and some long business history of legal business relations between legal organisations presented. Such history will be of at least of two years of relations where the person proves his loyalty and ready to share with others. Then he may be accepted into the group and group's projects will be discussed with him, in detail, including unofficial details. Unofficial does not necessary mean illegal. It may be not legally confirmed. Acting within the business frames but because it is not documentary supported can be viewed as illegal. They are looking for some kind of gaps in regulations allowing higher level of profit or more effective resources, human, natural, material, whatever. Information flows freely among them but does not go out at all. They collect information as a "vacuum cleaner."

Being in the daily contact, members establish tight relations where often transformed into the friendly relations. These relations are not as strong due to the high risk of potential loss, which influences the strength of ties. Members are being mutually supported not in the form of friend's support but because of

safeguarding own business profit and profit of a mutual project. If one is suffering then he may pull others down. He is supported not because of him but because of his own sake. These groups are invisible but influential. Foreigners coming to Russia are not realising this. If a foreigner is able to get to the leader, he may consider him as lucky; his business project will not be melted in this group and will take place.”

Business groups are effective in outperforming competitors or market newcomers. Using their business and informational abilities and influence, the business group can apply a pressure on competitors from different directions where affiliated to the business group companies are involved in such process. Often the victim of such action can't realise the actual source of pressure as actually facing the group's actions.

Khanna and Rivkin (2001) found that profitability of the average business group member is higher than profitability in the relevant industry. Studying profitability in Indian business groups Khanna and Palepu (2000, p. 889) suggest about the institutional context in which firms operate in emerging economies using example of India, where:

- Market for finance is undeveloped, illiquid equity markets and nationalised banks, and weak monitoring by bureaucrats.
- Market for labour. Only few business schools, little training, management talent is scarce, workers inflexible.
- Market for products. Limited enforcement for liability laws, little information dissemination, no activist consumers.
- Government regulations. High, corruption is common.
- Enforcement mechanisms are unpredictable.
- Corporate scope. Groups may have many advantages.

The institutional context described by Khanna and Palepu (2000) can be seen as similar in Russia and discussed before by different researchers (Michailova & Worm, 2003; Hutchings & Michailova, 2006; Holt et al, 1994; Elenkov, 1998; Deshpande et al, 2000; Batjargal, B.; 2006; Safavian et al, 2001; Puffer & McCarthy, 1997; 2007).

A similar situation can be seen in the Russian business groups. Respondents from business groups confirm higher profitability of their members. It is important to add that primary effective execution of group's business tasks is secured by personal responsibility of the members where in Russian terms their personal and organisational assets are at stake in case of faults, misconducts, and group's financial disasters.

Profitability of group member is also defined by low transaction costs, involvement in most profitable business project, successful tax avoidance, effective information management, and access to different resources.

Looking at shadow business groups from the organisational theory perspective we can see that they are generating resources to protect their positions and market segments. Being highly specialised in the certain sectors these groups are perfectly fit for the risky Russian business environment. Referencing Hannan and Freeman (1977, p. 948) Hannan et al (2007, p.209) argue that "the specialist maximizes its exploitation of the environment and accepts the risk of having that environment change".

Khanna and Palepu (2000) argue that focused strategies may be wrong for emerging markets. As the matter of survival, leaders of different Russian business groups highlight the importance of *ad hoc* approach where it is impossible in their view to create long-term strategy in Russian business environment. The *ad hoc* strategy of business groups is supported by excellent detailed local knowledge.

For example, leader of shadow business group who wish to stay anonymous and been involved as an informal respondent said to me: - "How I could make a plan for a year? What strategy you are talking about in Russia? Our regulations change unpredictably. If you remember, we got the message on the 30<sup>th</sup> of December 2009 about ultimate changes in export regulations coming into force from the 1<sup>st</sup> of January 2010. With all deliveries to European ports being arranged, we were in a rush to find cold store capacities in the Russian port, cancel freights, and instead of selling fish for export at the agreed time we have been forced to keep and finance the stock for few month whilst the issue was cleared and settled..."

Khanna & Rivkin (2001) confirm some of the author's observations saying that ties in business groups "are numerous and overlapping" and "they span the economic and the social, the formal and the informal".

Describing Latin American business groups Khanna & Rivkin (2001, p. 48) show that "members may share a brand name, raise capital jointly, lobby bureaucrats and politicians together, recruit managers as a group, and pool resources to invest in new venture" where similar joint actions can be seen in Russian shadow business groups.

The author's observation of "shadow" business groups in Russia confirmed by research population responses has showed the following:

- We can see business groups in any industries, from fishing industry to financial sector, and often crossing boundaries of a single industry.
- Shadow business groups are effective in reducing transaction costs. Operations characterised by very short time for decision-making, use of mutual experience in cost reduction, use of industry advantages and opportunities, mutual financial support, effective operational capacities, low monitoring costs, mutual safeguard, direct and effective access to administrative resources, tax avoidance, mutual risk-sharing and excellent local knowledge.
- Most important is that group's members share long time tested mutual trust and history of business relations.
- Each member provides the best of his abilities and opportunities towards achievement of mutual goals and so rewarded accordingly. For example: project financing is rewarded in the range of 40-50% of the profit, operations rewarded by 40-50% of the profit after expenses, 10-20% can be allocated to other group's members for documental support and supply operations.
- Internal sharing or exchange of assets. For example, known to the author, business groups transferring their fishing vessels between members' companies in order to use the fishing quota and fleet capacities effectively. Or if one of the members can't sell his fish then he transfers his particular lot of fish to a more successful in sales member on the "best possibility" terms.

- The nature of support in business groups is based on group's interest as members are not willing to risk or put into jeopardy their profit, project involvement, and group's structural advantages. In other words, it is not a "marriage of love" but a "marriage of convenience".
- Everything relevant to the group's industry information is freely shared between members including confidential information. Information being gathered from everywhere but none of the information leaks out.
- Mutually agreed, fair and clear management of operations where decisions are taken in collaboration and all known weak and strong points considered.
- No opportunistic behaviour is accepted and could lead to the non-voluntary exit for the group. Example: hiding profit, unfair costing, etc.
- Members of the business group are in the permanent contact on a daily basis, either face-to-face or on a phone.
- Strong business ties between business group's members often transform into strong personal relations.

Interestingly to note that business groups' members don't like being called "shadow business groups" but not commenting this issue. However, these groups remain "shadow" being almost invisible on the Russian business landscape.

#### **4.3.9 Colleagues and former colleagues**

Colleagues are considered in most cases as relations which are given to us. Respondents consider their relations with colleagues as weak due to the fact that they are not choosing colleagues where colleagues are given to them – "Colleagues come and go and don't have any emotional obligations to each other". Groups of colleagues represent one of the weakest network ties where people are bounded only by the work duties and may be viewed as supporters or counterparties in different office tasks and conflicts. Friendly colleagues group can be easily damaged by spreading bad or false rumours.

Talking about weak personal relations between colleagues, we must distinguish relations in-office and after-office time where people are not prepared to spend much of their social time with colleagues.

Colleagues in larger organisations usually are not as friendly where respondents from smaller private firms confirm good stable relations between colleagues, which had formed through the years.

For example, Oleg Saveljev (50, male, Owner and MD, Soling Ltd, Murmansk) suggests that he spend a lot time with his colleagues with whom he has worked together for more than ten years.

Russian people have tradition of different office parties, which came from the old days. Not some kind of fashionable corporate parties with team-building purpose. Traditional Russian office parties have different reasons – someone's birthday, national holiday, or some other reasons, where such parties could happen fairly often and spontaneously.

In the case of a colleague's birthday, people in the office usually collect money and buy some gift for him or her.

These traditions are particularly transparent in teams formed a long time ago.

Then, they have a drink or few together with some food either brought from home or bought in the nearest shop. The atmosphere of such party is usually informal and very friendly allowing colleagues to tighten their relations, discuss peacefully sensitive or conflicting situations, and learn more about each other or just feel relaxed inside the office walls. Also, such parties allow trust development between colleagues and enriching organisational cultural exchange.

However, it must be noted that some people and particularly of some extreme professions like fishermen, seamen, special forces, etc, often mention that some of their connections with former colleagues have transformed into very friendly relations with time. For example, Andrei Losev (45, male, Managing Director, Murmansk) confirms that he had gained friendship with his friends after their time at sea - "We are friends since our first trips at sea."

Colleagues may get together into the inner organisational clusters which could organise, depending of the situation, either support of certain decisions or resistance against unpopular actions.

Respondents consider colleagues as the source of information and referrals whilst looking for a job.

#### **4.3.10 Classmates and college mates**

Relations between classmates and college mates are usually the weakest with some exceptions where those relations were transformed with the time into friendship or relations of mates.

Most responses show that contacts between classmates and college mates are very weak in strength if any.

People who actively use website [www.odnoklassniki.ru](http://www.odnoklassniki.ru) (classmates.ru) and interacting with their former classmates and college mates noticing that those contacts are good for refreshing old day's memories only, as not much in common left after the number of years being passed.

For example, Igor Mokhnatkin (42, male, Deputy Director, Murmansk) being in contact with ten former classmates confirms that those relations are weak and not emotionally or functionally loaded.

An important exception must be noted about graduates of different military institutions who have strong sense of identity and keep relations for many years and stay in contact even being in absolutely different parts of Russia. For instance, graduates of Suvorov's Military Schools (Army) or Nakhimov's Military Schools (Navy) or Kremlin Cadets (Moscow Military Commanding High School).

#### **4.3.11 Hobby**

Respondents often confirm their membership in different hobby groups like music, dogs, bikers, fishing, hunting, diving, confirming that such relations are the weakest and not stable as being framed in a particular period of time and bounded to the people's willingness to socialise around areas of interest. For

instance, fishing season limitations; summer season for bikers; walking dogs as short morning and evening routine walks at certain times.

I have noticed that during fishing trips we never ask personal questions and discussing weather, fish, “catchy” flies, promising river pools, and tackles but not families, personal preferences, or work issues. In most cases we even don’t know our fishing acquaintances’ job titles and places of residence.

However, respondents suggest that hobby may lead sometime to more close and stable relations. For example, Aleksey Kim (38, male, Security Officer, Murmansk) has told about friendly relations which may sometime arise from spontaneous morning meetings of people walking their dogs in the neighbourhood area.

Stanislav Lazarev (38, male, Development Manager, Moscow) mentioned that a couple of his relations with his bikers buddies had developed into strong relations.

Using my experience I can also add that relations with one of my good mates have developed from our mutual hobby, salmon fishing but it took few years of extreme fishing trips.

#### **4.4 Discussion**

Ten personal groups existing in Russian business were identified. Members of all ten personal groups are involved in different areas of Russian and international business. Relations in all groups were established many years ago, where members know and trust one another. Having access or holding different resources, from information to administrative resources, those groups influence the way business is conducted in Russia and must be taken with the great matter of attention.

Having discovered something new, we are always curious about how it works or functions. We want to know the most important functional facts. So, exploring personal groups existing in Russian business, we must learn and understand about crucial for the groups’ inner life issues and factors keeping those groups functioning and answering the question where this issues will be discussed further.



## **Chapter 5**

### **Structure of networks**

*This chapter discusses the structure and strength of relations in personal networks existing in Russian business.*

## **5.1 Introduction**

Each of us is daily involved in personal networks being in contact with relatives, friends, mates, colleagues, former classmates. Each of us is concerned about relationships with our contacts. We are expecting support and services from our friends and ready to provide favours in return. All of us are exchanging information. We are even afraid of being socially isolated. And, we are all involved in different types of relations (ties) which provide different supportive resources. Our relations create the network.

Wellman (2007, p. 349) shows that “we know who our friends are, how they are connected to each other, and what kinds of sociability, help, and information they might provide—from the 1–5 very strong ties that we see as closest with to the 200–2000 acquaintances that we barely know”.

Podolny and Page (1998, p 59) provide the definition of network, where network form of organisation is “any collection of actors that pursue repeated, enduring exchange relations with one another and, at the same time, lack a legitimate organisational authority to arbitrate and resolve disputes that may arise during the exchange”.

## **5.2 Networks Structure**

From the literature review, we could see that the question about types and structure of networks groups existing in Russia attracted very limited attention so far. We offer to look at personal networks as social groups using a macro perspectives approach.

Polos *et al* (2002)’s theory of social forms says that “social groups represent forms with similar features, i.e. clusters of features”, where this definition is adopted for the present study.

The first role of form refers to the form itself and could be seen as “Localised sets of actors having the same form constitute a population” (Polos *et al*, 2002). In the light of the present study, population is viewed as members of the same groups, for example members of an ethnic group or family members.

The second role of form refers to a particular configuration of properties, i.e. same family, same organisations, same ethnic background, same values, etc.

The third common role of the form concept serves to differentiate between core and peripheral features, for example, access to group resources. According to Inertia theory (Hannan and Freeman, 1984), the core features are those that regulate form membership. Exploring such phenomenon, we could identify and describe rules of membership in Russian networks like shared access to resources or reciprocity norms.

Having identified the social groups using the theory of social forms, we will be facing the next question on how the social groups are structured and actual structure and strength of network ties.

Granovetter (1973) introduced the concept of ties and considers that the strength of interpersonal ties could relate network analyses to macro phenomena, such as diffusion, social mobility, political organisation, and social cohesion.

He argues that the analysis of processes in interpersonal networks provides the most fruitful micro-macro bridge, where linkage of micro and macro levels is of central importance to the development of sociological theory.

Based on the Granovetter’s (1973) strength of weak ties theory (SWT) researchers distinguish two types of network ties - strong and weak ties. Studying networks, we need to understand the strength of the ties connecting network members in Russian personal networks. In the present study, we investigate what type of ties connects Russian personal networks and would it be different to Granovetter’s original model of ties. Granovetter’s concept of ties is based on analysing data collected from American society, which is very different to Russian in Hofstede’s cultural dimensions (Elenkov, 1998; Naumov and Puffer, 2000). For example, Americans are more Individualists and Russians are more Collectivists.

Bian (1997) using Granovetter's (1973) theory had conducted the study on job searches in China. Analysing tie strength and job searches in China, Bian argues that strong ties can create network bridges linking otherwise unconnected individuals. In his study Bian (1997) used insights offered by Granovetter's approach for analysing the distinct institution that structures job assignments in China, i.e. information and influence; triadic connections; institutional contexts. Special attention has been paid to how Chinese job-seekers are connected to job-assigning authorities through direct and indirect ties of exchange relations (or *guanxi*).

Not agreeing with Granovetter's, approach Bian (1997, p 382) suggests that "strong ties can function as bridges for two reasons; potential strong ties can be disconnected by structural and structural constraints" (Bott, 1957 in Bian, 1997), or through deliberate actions by strategic players to take advantage of bridge ties in a competitive arena" (Burt, 1992, in Bian, 1997); and unauthorised activities rely on strong ties of trust and obligation to bridge otherwise unconnected individuals with non-redundant resources".

Bian's (1997, p. 382) research findings challenging Granovetter's (1973) theory show that in Chinese context "strong ties prove to be necessary to bridge the Chinese *guanxi* networks used to obtain influence, because mutual third parties offer trust and obligation that ultimately connect job-seekers to job-control agents. Weak ties in contrast, lack these characteristics and are therefore not as likely to function as bridges in influence networks." Bian notes the importance of establishing trust in personal relations and fulfilment of reciprocal obligations with exchange of favours in *guanxi*, which could be seen as similar to relations existing in Russian society.

However, despite the broad array of research on networks in general, very little has been done about studying structure of social or personal networks in Russia.

Yakubovich (2005) offers the study of probability of getting a job in Russia using weak ties which were conducted in 1998. Research data were collected using two structured questionnaires. Yakubovich (2005, 409) claims that "the advantages of

weak ties lie in their ability to provide direct access to information and potential employers and strong ties are better for gaining indirect access to employers through intermediaries". The results support strength-of-weak-ties hypothesis that people are more likely to get a job through their weak ties. Also, Yakubovich (2005) argues that "weak ties are better than strong ones in securing influence due to the salience of structural factors, that is, they are better positioned to realise both information and influence benefits of social networks".

Yakubovich (2005) fairly shows his research limitations - the argument is built on a specific model of matching workers with jobs that presupposes the involvement of multiple contacts; imprecise measures of tie strength, information, and influence; disproportional underreporting of weak ties in a typical action set.

However, beside the Yakubovich's (2005) comments about his study limitations we could add that the article was only testing Granovetter's (1973) hypothesis using Russian ground but does not provide the feel and actual data of Russian personal networks.

Burt (1992) offers the structural holes theory, which is valuable for an understanding of the Russian social structure and structure of ties. The theory argues that structural holes are responsible for heterogeneity and survival within a market or holding a position in social structure. "The competitive arena has a social structure: players trusting certain others, obligated to support others, dependent on exchange with certain others, and so on" (Burt, 1992, p.11).

Burt argues that structural holes are the quality of intersecting relations causing behaviour.

From business opportunities viewpoints, Burt in his paper "Structural Holes and Good Ideas" (2004, p 349) suggests that "people who stand near the holes in a social structure are at higher risk of having good ideas".

Following Burt's suggestions, we could logically see that if a Western organisation or manager could position themselves near the structural holes inside Russian networks, they have a very good chance to spot business opportunities and have a competitive advantage. Burt (2004, p 350) shows that "people connected across groups are more familiar with alternative ways of thinking and behaving, which

gives them more options to select from and synthesize". Typical examples of such opportunities showed by the author are a brokerage or supply-chain function.

Looking further into the issue of social capital creation in personal networks, Burt in his paper "Bridge Decay" (2002, p 333) claims that "network bridges are critical to the advantage known as social capital, bridges relative to other kinds of relationships show faster rates of decay over time, and the faster-decay in bridges has implications for the stability of social capital".

The impact of business group affiliation on the performance of Russian firms over the period of 1998-2001 has been studied by Estrin, Poukliakova, and Shapiro (2009). The authors claim that business groups play a critical role in the governance landscape of many countries, including most emerging economies. The authors concentrated their study on the role of Russian business groups, also known as financial-industrial groups, i.e. oligarchic groups and suggest that "the high degree of individual control suggests that Russian business groups will pursue goals that reflect self-interest of the controlling oligarch" (Estrin et al, 2009, p 397).

Estrin and colleagues (2009, p. 393) say that "affiliation to a business group enhances company performance because membership allows firms to internalise market transactions and create internal networks of value-creating relationships that minimise transaction costs and provide access to valuable group resources and capabilities. In addition, internal markets may permit firms to transfer financial resources so as to reduce group risk, and ensure group survival. These advantages may be more pronounced in emerging markets, where external markets are less efficient."

The authors had concentrated their study on the business groups controlled by Russian oligarchs, which are legal oligarchic forms of financial-industrial organisations, and not on the forms of Russian personal networks. Surveying published lists of Russian oligarchs and business groups, the authors found that Russian business groups have the numbers of advantages such as transfer of critical resources within the group, providing competitive advantage for the affiliates and promoting group survival through internal redistribution and firms affiliated with business groups are more profitable as, with time, profits are

redistributed from stronger to weaker group members (2009, p 414). Estrin and colleagues had used officially published statistical data which can't be considered as absolutely reliable and providing the insight of studied groups.

However, in the light of the present study business groups studied by Estrin *et al* (2009) could be seen as some kind of networks as those networks are based on reciprocal favours, promote strong social and business ties, and shared values among business and other groups.

Also, Estrin *et al* (2009, p. 395) note that little has been done to study Russian business groups in a systematic manner.

### **5.3 Why people get together**

Discussing the question why people get together into network groups, Putnam (2007) claims that "networks have value first to people who are in the networks".

McPherson *et al* (2001, p.415) suggest that "people with different characteristics- genders, races, ethnicities, ages, class backgrounds, educational attainments, etc. - appear to have very different qualities. We often attribute these qualities to some essential aspect of their category membership." The authors argue that "similarity breeds connections" where "the result is that people's personal networks are homogeneous with regard to many sociodemographic, behavioural, and intrapersonal characteristics."

Discussing homophily in networks, McPherson and colleagues (2001, p. 428) explain that "people who are more structurally similar to one another are more likely to have issue-related interpersonal communication and to attend to each other's issue positions, which in turn, leads them to have more influence over one another."

Russia is the clear example of the country where for more than 70 years communist regime has been implementing quite successfully the principle of "similarity of all". Russian people show strong network structure of society where people of different characteristics are well connected

Using Hofstede's cultural dimensions, Naumov and Puffer (2000) also confirmed that Russians are low on Individualism dimension, and so, is Collectivists society where people value their networks' relations.

We are getting into different relations as we can't live alone, we live in the society. One could claim that he is living on his own but not noticing that he is involved in the number of different relations, which creates personal networks.

Personal network membership gives people the sense of belonging and recognition where a person gains the feeling of being with people and not alone which is important in the turbulent Russian environment. People are finding their own advantages, privileges, potentials and different kinds of support in personal networks. In the words of DiMaggio and Louch (1998, p 622) "yet substantial percentages of major transactions take place between friends, relatives, or compound ties (friends of friends, relatives of friends, and so on) in social and/or kinship networks".

Research respondents also notice that networks membership gives them a sense of security where people may seek for protection in case of legal and illegal actions against them. For instance, in the 90s where people in Russia were not protected against criminals by legal institutions, they were relying on the help, support, and protection of their personal groups only.

Present research data shows that people in Russia distinguish two major roles of their relations where their network ties have *emotional strain* and *functional strain*. Both strains are interlinked and seen as vitally important for maintaining healthy personal relations.

### **5.3.1 Functional Strain**

Having limited access to resources over the communist time, Russian people learn how to survive and succeed helping each other. *Functional strain* of personal relations is securing support and exchange of services and favours between network members. Russian people could expect all kinds of services from their contacts. It could be everything from helping in house decoration and



financial support to valuable business services. Functional support is compulsory in human relations where respondents confirm that if someone will not help them where it is possible, then they will think seriously whether to keep these relations or not.

Exchange of information is also the compulsory function of the network exchange. DiMaggio and Louch (1998, p. 619) explain that “sociologists and most economists agree that people use personal networks to gather information when they contemplate purchasing non-commodity goods and services.”

Research findings support Granovetter’s (1983) suggestion where he points out about “reciprocal services which characterise the tie” as research respondents clearly distinguish that different favours or services they expect to have from different by strength relations. For example, people tend to borrow money preferably from their closest entrusted contacts.

### **5.3.2 Emotional strain**

*Emotional strain* of human relations is often placed in priority of the functional strain. In the Russian view, it is impossible to have strong or valuable relations which are not supported emotionally. People expect their contacts to provide emotional support in all aspects of people’s lives and business. Starting any business conversations Russian people tend to discuss some life or social issues first and often it may take a fair amount of time. Being in close relations people will talk about their families, mutual mates and acquaintances, ongoing news and old memories. Getting straight to the point of the meeting is considered as rude and not respecting behaviour. Such social conversation may take the most of the allocated time for the business meeting time where the discussion of business issues will be quick and productive. Westerners tend to do mistakes in Russia negotiating purely business or offering some advantages but not establishing emotional contact with the potential Russian partner.

For example, Marina Shustova (39, female, business owner, ex-militia officer, Murmansk) explaining the difference between negotiation’s styles of Russians and Westerners says - “Using the saying “no money, no honey” which is about them. And I, as any businessperson play the role of “mysterious Russian soul” where I

am really not. I enjoy puzzling them. In some unpredictable emotional way which they don't like and prefer numbers where I can blackmail them emotionally.”

Russian people want to feel emotional unity, understanding, where emotional support is compulsory for all even purely functional relations whether it will be the information exchange or money borrowing. One of the respondents suggests that “how I could do business with a person who is not sympathetic to me, with whom we don't have emotional attachment, and so, I don't feel him”.

Emotional strain defines the strength of relations in Russian networks where with strengthening of emotional intimacy the ties are getting stronger. Feeling more comfortable in certain relations due to the high emotional intimacy, people tend to spend as much as possible time with close ones and so, increasing the frequency of contacts.

#### **5.4. Types of relations**

Discussing two types of network ties, strong and weak Granovetter (1973, p. 1378) explaining that “treating only the strength of ties ignores, for instance, all the important issues involving their content. What is the relation between strength and degree of specialisation of ties, or between strength and hierarchical structure?”

Types of relations are defined by the content in which those relations exist.

Considering that the respondents clearly distinguish relations with relatives and with not relatives (non-kinship relations) and I offer to discuss those two types of relations prior to discussion the strength of ties.

##### **5.4.1 Kinship relations or how blood matters**

McPherson et al (2001, p. 431) explain that “family connections are the biosocial web that connects us to those who are simultaneously similar and different. Family ties, because of their strong affective bonds and slow decay, often allow

for much greater value, attitudinal, and behavioural heterophily than would be in common in more voluntary...”

McPherson and colleagues (2001) explain - “while the fact that the more voluntary, less intense social ties of co-employment, co-membership, or friendship is interesting, it should not hide the fundamental similarity: (a) family ties are homophilous on most characteristics, and (b) strong, homophilous ties on one characteristic may act to induce heterophily on other characteristics.”

Looking at Russian families, we can see the conflicting issue - people being brought up in a similar environment show different social characteristics. In the case of Russia, families are often spread around huge territory caused by non-voluntary migration during the communists’ time. People from the same family often have a different educational level and holding absolutely different social positions. We can rarely see people in Russia who have inherited some kind of big assets and consequently family members usually have different level of wealth, and so social tastes which they manage to create over time using purely their own abilities. So, families in Russia are fairly heterogeneous.

Family ties have the complex structure itself and can’t be viewed as a single matter. We are very close with some of them, distant with others, and even avoiding or don’t want to mention some of them. It doesn’t relate to the grade of kinship and in the words of the respondents it is more related to the strength of relations and different intensity of the relations. One may have better relations with his in-laws rather than with own relatives or the strength of ties with different close relatives may be different.

However, the respondents suggest that relations with close relatives characterised by the great sense of care and family or blood obligations.

Studying personal networks it is important to look at the possibility of using relatives’ network relations or possible use of relatives’ social capital particularly considering that this issue was not broadly discussed so far.

Few academic publications are devoted to the particular issue of parental income on their children’s abilities. Shea (2000, p. 156) in his study of correlation between parental income and children’s abilities says that “a substantial body of research

shows that economic status is persistent across generations: children raised in high-income families earn more than children raised in low-income families.”

Schwarz et al (2005) also confirm that adult children receive a large amount of financial, instrumental, and emotional support from their parents. The authors underline that “the adult parent-child relationship is usually characterised by the frequent and emotional closeness” (2005, p. 397). In the words of Schwarz and colleagues “the exchange of support remains important in the parent – child relations throughout the whole life” (2005, p. 397).

However, not much had been said so far about the dependency of parental networks resources and children’s human and social capital or in other words - how blood matters in social networks. Shea (2000, p. 180) suggests that “there can be little doubt that economic status is positively correlated across generations. However, this does not necessarily imply that parents’ income per se matters for children’s human capital accumulation.”

Studying Russian personal networks, we also want to understand how parents or relatives network ties can influence human and social capital of the research population.

Research respondents suggest that they clearly separate their personal relations and personal relations of their family members. Russian respondents say that they may use relatives’ networks only in the case if they desperately need something. Parents or relatives names could be used as an entry ticket or introduction voucher for one-off operation only. For example, Aleksey Kim (36, ex-militia officer) says that he will use his father’s connections only if he is really desperate. Introducing himself Aleksey will clearly state that his father is not aware about details of the request and not responsible if something goes wrong.

People usually are proud of their parents or relatives social status and reputation. However, other family members’ relations are considered as theirs and not their own.

This issue is particularly transparent in the ethnic groups where family name, parents’ status and reputation are carefully guarded. People watch their own behaviour as they don’t want to let their family down or have negative impact on

the family reputation. For example, we can often hear Dagestanians saying - he is my father's friend and I must show my respect to him visiting him, talk with him about his health and life; but I will not ask him for anything unless it is agreed with my father. It will be better if my father will talk himself with his friend about my request.

Respondents are noting that good or bad reputation of their parents or relatives may follow them and particularly when in discussion of a person's background. In any case, this issue must be handled with great care.

#### **5.4.2 Non-kinship relations**

Non-kinship relations are created outside of our family circle, i.e. with friends, mates, co-workers, and acquaintances. Non-kinship relations represents a mixture of given and voluntary relations. We are selectively choosing our friends and mates, where colleagues, college mates, classmates are given to us. But we still choose with whom of the colleagues or college mates to be in more close contact and interact more actively rather than with others. Russian people have the saying: - "tell me who is your friend and I will tell who you are." So, to the some extent our friends are part of our identity.

If we are not happy in one group, we may leave it and spend more time interacting with other people where we can't change the group of relatives which is given to us for life.

We receive more of professional support not from relatives but from our non-kinship relations and so, consider our non-kinship relations as more business valuable and productive.

Emotional support provided in non-kinship relations, is often considered by Russian respondents as more valuable than in kinship relations, where people may discuss the whole spectrum of inner feelings and share personal or job related worries.

The reputation gained in non-kinship relations is particularly important in business making access to resources either easy or not.

In summary, we can say that each generation has their own rules of the personal engagement, involved in own networks, and developing own social and human capital.

## **5.5 The strength of ties**

Granovetter (1973) defines that most intuitive notions of the “strength” of an interpersonal tie should be satisfied by the following definition: the strength of a tie is a combination of the amount of time, the emotional intensity, the intimacy, and the reciprocal services which characterise the tie (1973, p 1361). In his article in 1983 (p 201), Granovetter sharpens his definition of the strength of ties as “combination of the amount of time, the emotional intensity, intimacy (social confiding), and reciprocal services which characterise the tie”.

Therefore, the Russian network ties should be also defined by the combination of factors identified by Granovetter (1973, 1983).

### **5.5.1 Strong ties**

Let’s talk about strong ties existing in Russian personal networks first.

Russian people clearly distinguish two different types of strong ties, i.e. connections with friends and with close relatives.

In most cases, respondents view their relations with friends and close relatives as strongest due to the high emotional intimacy and strong functional support between members of strong network groups. I have often heard Russian people saying that their friends are not given as relatives but chosen by us and the friendship is tested by life justifying the strength of relations. For example, Aleksandr Grachev (42, male, Sales Manager, Murmansk) says that he was never been let down by his friends through the whole history of their relations; or Mikhail Smirnov (45, male, Chief Architect, Moscow) explains that friend is closer and dearer than relatives.

Strong ties characterised by the strongest sense of unity and highest level of trust. In the words of all respondents, they share their inner feelings and confidential information either with friends or close relatives only and not with any other people. In another words, strong ties linking people who are always happy to see each other. Russian people are even not as bothered about functionality of strong ties as about emotional strain in these relations, which may cover a possible gap in functionality of strong ties.

However, in Russian terms, a lot of obligations are placed on networks members linked by strong ties and from the functional strain viewpoint strong ties reflect all kinds of services and support exhibiting the highest level of reciprocity. It could be money borrowing, support in life and business troubles, valuable advice on sensitive issues, and care about children. Such approach is based on moral obligations to close people and remains the tradition in Russian culture.

Strong ties in Russian networks attribute the number of referral functions as being the most reliable third-party guarantee or reference, possibility to influence one's decisions, securing execution of contracts and obligations where Russian people are not considering weak ties connections as a proper guarantee of one's behaviour or reliability. Therefore, in Russian personal networks strong ties are necessary in bridging people from different networks being the cornerstone of social capital creation in Russia.

With the loss of a close relative/friend is leading to the loss of access to certain resources which were securely allocated in his/her range of network, leaving a person with the sense of isolation. For example, Eduard Kulik (39, male, ex-business owner, Murmansk) explains that when he had lost his friends due to life circumstances, he felt frustrated and also lost a lot of business potentials even still being involved in the big number of other relations.

So, in Russia, the loss of strong ties does most damage to the structural relations, disconnecting network members from resources, information, emotional and functional support and even the loss of part of networks identity. From an organisational viewpoint, the removal of strong ties is like the loss of the core supplier or customer which gives tremendous advantage to competitors.

People connected by strong ties may heavily influence a decision of other group members. The opinion of a friend or close relative is highly valuable and always taken into the consideration making such groups even more interlocking in their views and approaches.

Present research findings show some similarity of strong ties functions in Russian networks with Chinese *guanxi* showed by Bian (1997) and completely different to those discussed by Granovetter (1973). We could say that such a difference in research findings may be caused by cultural and national contexts of the studied population.

McPherson et al (2001) say that “the most source of homophily is space: we are more likely to have contact with those who are closer to us in geographic location than those who are distant”.

The respondents often note that their closest people live in different places around Russia and they don't have much of a chance to spend a lot of time together. However, the respondents still consider the relations with remote friends as being strong and supported by the strong sense of soul unity or spiritual closeness. They might meet each other once in few months but such meetings are much anticipated.

Also, it must be noted that there are no formalities between friends or closely connected relatives exist. Strong ties reflect the long history of relations which speaks for itself making the need for formalities unnecessary. This issue is discussed in greater detail in the following chapter.

In non-kinship relations, strong ties connect between 2 to 6 closest friends and between 6 to 20 other closed people, where in kinship relations the number of strong ties depends on the family size.

Strong ties connect friends, mates, members of “shadow” business groups, and ex-Army and Navy officers in non-kinship relations. In kinship relations, strong ties connect parents and adult child, brothers, sisters, and other closed relatives.



### 5.5.2 Weak ties

Granovetter (1973, p. 1376) argues that “weak ties are more likely to link members of different small groups than are strong ones, which tend to be concentrated within particular groups”.

Using research findings, we can identify personal groups connected by weak ties where it will be mates, colleagues, classmates and college mates in non-kinship relations. In kinship relations, weak ties connect with remote relatives, in-laws, and conflicting family members.

It is difficult to talk about emotional or much of functional support existing in networks relations linked by weak ties. The respondents suggest that they don't have any formal or informal obligations towards those with whom they are connected by weak ties.

Emotionally, people may experience some kind of sympathy but, generally, it will be discussions of common life issues without going deep into the inner feelings. It could be a conversation with common questions – How is life? What's new? How is business? And so, responses like “fine”, “doing well”, or something similar.

Granovetter (1983) revising network theory explains that weak ties provide access to remote information and resources. But, in Russian networks, weak ties facilitate low functionality of relations. Functional strain of weak ties reflects provision of minor services and small favours like information sharing. The broad range of information may be effectively accessed through weak ties. For instance, one may access information about available job positions whilst searching for a job.

However, as Russian people are not prepared to share resources available to them with someone remote, we can say that weak ties do not provide the access to resources available in other networks.

Underlining the importance of trust in social networks, Granovetter (1973) claims that weak ties are crucial for spreading anonymous trust e.g. trust in a transaction between strangers.

However, present research findings show that the level of trust in weak relations is low and so, third-party references provided by members of weak groups are not considered as valuable. Therefore, weak ties are not actively bridging members of different networks and can't be viewed as proper network bridges in the Russian context. For example, Vladimir Edunov (47, male, Commercial Director, Snabmorservice Ltd, Murmansk) says that he will not listen to such references as remote people are not a reliable source themselves.

Low level of trust in weak ties also demands the need for control, close monitoring of a person's actions, and fulfilment of different formalities. Therefore, we may conclude that in Russian personal networks, weak ties are not crucial for spreading anonymous trust between strangers as has been discussed by Granovetter (1973).

The significance of weak ties, then, would be that those which are local bridges create a more, and shorter, path (Granovetter, 1973, p1365). Granovetter (1973) suggests that "removal of the average weak tie would do more "damage" to transmission probabilities than would that of the average strong one". Russian respondents confirm that they do not care much about weak ties, where even the loss of a weak connection is simply ignored without much worry. So, removal of the average weak tie in Russian networks would not do any harm or "damage" to transmission probabilities as weak ties does not function as effective bridges in the Russian context.

The number of weak ties is difficult to identify precisely. However, the respondents suggest that the number of people with whom they are connected by weak ties (mates, acquaintances, classmates and college mates) is between fifty to one hundred people at least, without counting colleagues.

### **5.5.3 Discussing strength of ties**

The respondents confirm that the strength of ties is defined by the level of trust existing in relations and bounding reciprocity, level of emotional intimacy, and so on.

Being closer in distance, we could spend more time with our contacts. Of course, the amount of time spent together is considered, by network members, as a very important factor and Russian people trying to spend as much time as possible with their closest contacts, i.e. strong and medium. But, I have noticed that in Russian personal groups, it is important to consider not only the amount of time people spent together but the time commitment towards others justifying the value of relations and respect to a person.

What is the time commitment in such context? It could be everything – a whole evening being spent listening your friend's life story, availability on the first call, time spent gathering information needed for an old mate or family member. People tend to commit more of their time towards strong relations, less to their medium relations, and are not bothered much about weak relations unless expecting some outcome in future.

Time spent together does not always reflect the strength of ties. Being questioned with whom they spend most of their social time; respondents often suggest that they spent most of their time with mates, i.e. medium ties.

Respondents consider their relations with friends and relatives as being strong but at the same time confirming that they often spent more time with people they are not so strongly connected with. It doesn't matter for Russian people how much time they spend with someone but how strongly emotionally connected they are. So, we could say that the amount of time people spend together is only the confirmation of serious relations and doesn't confirm whether the strength of ties is strong or weak.

The respondents confirm that the strength of ties is defined by the level of trust existing in relations and bounding reciprocity, share of emotions, and all other sensitive aspects of human life.

Emotional strain of relations may be viewed as an indicator of the strength of ties where with development of emotional intimacy the strength of ties is getting stronger.

Actually, it is worth noting that Russian people are valuing emotional intensity of ties and reciprocal services at most where the amount of time spent together are seen by the respondents as a complimenting factor. For instance, research respondents who were more willing, had answered questions about emotional load of their ties as a more understandable issue for them rather than about time spent together with another person.

Support and services are actively provided in the strong in strength relations and not much in weak, where the level of reciprocity reflects the strength of ties.

Concluding the discussion, I offer to define the strength of ties in Russian personal networks as a combination of emotional intimacy, the level of trust, the level of reciprocity, and combination of time spent together and time commitment towards network's relations.

Challenging the strength-of-weak-ties hypothesis, the present study discusses the existence of strong and weak ties in Russian networks and reflects the complex nature of human relations in Russian society, where strong ties are functioning as network bridges. Removal of average strong tie will cause dramatic damage to the network structural relations, where removal of an average weak tie would not cause any damage.

However, the world is not black and white and so, human relations or the structure of relations in Russian society as being fairly complex can't be strong or weak only. My data seems to indicate that it's some type of networking ties exist in between strong and weak ties what leads me to assume about existence of the third type of networking ties – medium.

Assumingly, medium in strength ties still facilitate emotional and functional strain of personal relations and connect people who have not reached for some reasons the strongest stage of relations.

In non-kinship relations such ties might be defined as connecting old mates, members of business groups, and ex-Army and Navy officers in non-kinship relations and were formed through the number of years of joint activities or good knowledge of one another but for some reasons did not reached the strongest stage of relationship.

In kinship relations, medium ties assumingly connect family members with a different grade of kinship but with whom respondents have stable, robust, and reliable relations, like with cousins, nephews, etc. Medium ties may connect remote relatives or in-laws who are strongly respected and so always welcomed.

We don't want to speculate about characteristics of medium ties existing in Russian personal networks without valid and solid research data. We could only assume about reasons for medium ties not to become strong but intuitively suggest that it might be caused by lower than in strong ties emotional intimacy, and some difference in views and life styles where lower than in strong relation emotional intimacy is seen as the main reason for difference in relations.

This assumption is challenging the strength-of-weak-ties hypothesis but reflecting the complex nature of human relations in Russian society. In any case, our assumption about existence of medium ties is demanding further research investigation.

## **5.6 Maturity of ties**

McPherson et al (1992) indicate that "groups create ties internally by organising repeated contacts between members. Members who are most heavily connected inside a group are most integrated into the group." With the growing number of repeated contacts, our relations strengthen and mature where we know more and more about each other. But how do personal relations mature in Russian networks?

McPherson and colleagues (1992) discussing the stability and duration of relations argue that: "(1) the more contacts ego has inside a group, the longer the duration of that membership; (2) the more contacts outside a group, the shorter the duration of the membership; (3) the strength makes little difference inside groups; (4) the weaker the ties to alters outside the group, the stronger the negative effect on duration of membership; (5) the greater the number of network ties to alters, the greater the rate of joining new groups; (6) the greater the number of ties between those alters, lower the rate of joining new groups; and (7)

the greater the social distance between ego and alter, the greater the rate of joining new groups.”

McPherson et al (1992) suggestions are true for Russian personal networks. For instance:

- Respondents confirm that they are carefully stepping into new relations being loyal to the members of their groups and prefer to develop existing relations within own groups. For instance, the respondents are often saying – “Why should I step into new relations? I am happy about my relations as it is.”
- As soon as a person had gained the group’s membership than the relations, with other members being equal, and we can say that the strength of ties has no difference within the same personal group.
- The observation of Russian personal networks supports McPherson’s (1992) suggestion that the greater the distance between ego and alter than the greater the rate of joining new group. For instance, having concentrated few years ago on the study, I had very little time to spend with my mates like spending nights out or go fishing and so, the distance between us has increased with the time. We are still having good relations but eventually I found myself in more frequent contact with people from other groups.

In the same publication McPherson and colleagues (1992, p. 168) show that “good dynamic evidence on the formation of network ties is not available.”

Knowing about groups’ stability and aging, we don’t know much about how the group formed or network ties mature to the stage where the relations could be called as really maintained and become valuable and fruitful for network members.

When we can tell to ourselves that we are proper group’s member or our friendship is really accepted? This issue is important for our social and business relations in order to understand and evaluate the progress of our relations maintenance. Through my business life experience, I have noticed that it takes a while to establish good business relations in Russia, and decided to pay particular attention to this issue in the frame of the present study.

Whilst discussing with respondents their networks connections, the interesting issue appeared where the relations within groups characterised by the length of time needed for establishing or maturity of relations.

The usual age of relations between friends is at least five years and more. All respondents confirm this fact saying that their relations with friends, old mates, and mates were maintained a long time ago. For instance, one could be called the mate after two or three years of stable contact, otherwise he is just acquaintance. The respondents explain that relations established less than one year ago are not considered seriously. Newly established relations or relations of a few months old are considered by the respondents as “meaningless” and could be painlessly lost and forgotten without sorry. In the words of Nahapiet and Ghoshal (1998) “time is important for the development of social capital, since all forms of social capital depend on stability and continuity of the social structure”.

Therefore, development of social capital is dependant of maturity of relations, where social capital is not presented in network relations instantly but with the time. Some exceptions must be noted where relations may mature in a shorter time. The respondents indicate some extreme life cases like going together through certain life troubles, being together at war, etc.

What about maturity of relations in the Russian business? The respondents say that they need to have not just one or two successful deals but about a year of business relations before they can quote someone as the business partner. Such approach can be viewed as transfer of personal life experience onto the business practice.

We can distinguish few reasons for such long time maturity of ties:

- Establishing emotional intimacy. With some people, we establish emotional contact straight away where with others it may take a lot of time.
- Monitoring of one’s attitude. Respondents confirm that whilst stepping into any new relations, they will monitor the attitude of the counterparty in order to understand the attitude towards them and others as well.
- History of reciprocal operations. With few exchange operations being completed people are able to say how they are cooping together.

- Mutual learning. It takes a lot of time for people to learn about each other and adjust their behaviour accordingly.
- Maintenance and development of trust. Any personal relations can't be established without trust.
- Functional usefulness
- Knowledge of background,
- Knowledge of personality

The reason behind such long time of the relations maturity is understandable. Knowing better about each other people are getting closer through the mutual history of relations, where people know a lot about each other, development of mutual trust and emotional intimacy. It secures long-lasting duration of the personal and business relations, robustness and effectiveness of the network ties, and profitability of relations. We could say in other words that long maturity of ties defines successful fitness into the personal group environment.

## **5.7 Centrality, ranks, and networks boundaries**

### **5.7.1 Centrality**

By referring Everett and Borgatti (1999, p. 3) "network analysts have used centrality as a basic tool for identifying key individuals in a network since network studies began." Freeman (1978) provides the revision of intuitive background for measures of structural centrality in social networks and evaluated measures in terms of their consistency. He was specifically concerned with communication in small groups and hypothesised a relationship between structural centrality and influence in group process. Freeman (1978) argues about three distinct intuitive conceptions of centrality where one is based on counts; one is based on proportions of the centrality of position in a network; and one is reflecting the degree of centralisation of the entire network or graph centralisation.

Freeman (1978) points out that centrality is an important structural attribute of social networks and related to a high degree of important group properties and processes. The author suggests that intuitive approach to recognition of a central person of network is natural enough.



Defining central and peripheral persons in network Freeman (1978, p.218) explains that “a central person could be seen as a person who is in a position that permits direct contact with many others should begin to see himself and be seen by those others as a major channel of information; and the occupant with the low degree of contacts could see himself and by others as peripheral”.

Everett and Borgatti (1999) examined the standard network centrality measures of degree, closeness, and betweenness in application to groups, classes, and individuals. The authors claim that the majority of published measures are intended to apply to individual actors. Referring to Everett and Borgatti (1999, p.1) “a group centrality measure could be applied to a set of individuals rather than a single individual. A group centrality measure could be applied to sets of individuals identified by cohesive subgroup techniques or by positional analysis techniques, such as structural equivalence or regular equivalence”.

Everett and Borgatti suggest that a group’s centrality measure could be seen as “criterion for *forming* groups” (1999, p 1). The authors offer the principal approach to develop a measure of group centrality, where researchers must start the process by establishing the features and properties that we would like such a measure to possess.

Present study respondents were asked to name or identify the central group’s person. In most cases respondents were surprised and answered that there is no central person in any of their personal groups. All groups’ members are considered and treated as equal.

Observation and analyses of the different life stories also shows that there are some enthusiastic people who cares about keeping all relations going where in most cases such a person is seen as the most lively personality but still not considered as central.

Also, the peripheral members were not being recognised by respondents. Using my own experience I can also confirm that no ranks exist inside the Russian personal groups. For instance, taxi driver and business owner being the members of the same group are treated and respected similarly.

However, some exceptions were observed. The exception must be made for “shadow” business groups where the group’s leader can be clearly identified as group members are being gathered around him.

Granovetter (1973, p. 1374) suggest that central position, i.e. leader’s position “depends heavily on whether there exist intermediary personal contacts who can, from their own knowledge, assure him that the leader is trustworthy, and who can, if necessary, intercede with the leader or his lieutenants on his behalf. Trust in leaders is integrally related to the capacity to predict and affect their behaviour.” Respondents confirm that business groups are gathered around (1) wealthy, (2) clever, (3) creative person and (4) where the members have the long history of mutual business operations.

So, we can see that trust to the business group leader is based on the time-tested history of business relations, well established personal relations, visible leader’s business achievements, and clear business attitude. Also, it must be noted that business groups’ leaders are usually excellent coordinators with natural strategic vision.

However, in the words of Moody and White (2003, p. 121) “networks with structural features leading to control of resource flows generate power inequality”.

Also, in some cases the oldest male person in the ethnic family groups could be viewed as the central person. Using examples from Caucasian ethnic groups, we could say that ethnic groups traditionally respect the opinion of older people as the wisest. Such a person should be informed about all critical changes in the family member’s life. For instance, his opinion often is final in accepting and blessing the marriage or not.

In case of conflicts between families or clans, the oldest people meet and can declare that conflict is over. A lot of potentially blood-spilling conflicts were solved in such way in local Caucasians conflicts in the old days and even recently.

It must be noted that in the words of respondents, the tradition of respecting the oldest is slightly losing its importance these days.

### **5.7.2 Ranks and Statuses**

In some cases, respondents have commented about the possible chance of someone being a bit more respectful due to his/her higher than others' social rank or organisational rank as having a higher level of expertise in certain areas. The respondents insist that the higher than others social rank or position has nothing to do with the personal network status. Even opposite, if one will try to gain a higher position in a personal group, then most likely it will be noticed and he will be "grounded".

Respondents from ex-militia and ex-Army and Navy officers groups confirm the same, i.e. that there is no central person in their groups but respect in context of the group is based on a member's official rank and position prior to his/her retirement. For instance, a retired lieutenant always will be showing more respect to the fellow member, retired major.

### **5.7.3 Networks boundaries**

Personal groups connected by strong ties have clear boundaries where members can be firmly identified and whose membership has the permanent nature. The long-lasting nature of relations in Russian personal networks, where members remain in the same group and not changing membership for a long while, also confirms the clearness of networks boundaries.

It is difficult or almost impossible to identify the boundaries of networks connected by weak ties as members of these groups are freely migrating in and out of personal groups. Also, it must be mentioned that weakly connected groups consist of a big number of members which may be difficult to count and so, clearly define the network boundaries.

The majority of Russian personal networks don't have a central person and networks boundaries can be clearly identified. Therefore, groups like friends, old mates, ex-Army officer, and so on, are formed as cliques.

Even “shadow” business groups are particularly care about clear definition of their boundaries, which secures the confidentiality of business activities, control of resources, possible interventions, and so on.

#### **5.7.4 Discussion**

Being cohesively structured as cliques, Russian personal groups represent the form of collectives. Discussing power of such structures Moody and White (2003, p. 121) explain that “in contrast to weak structurally cohesive groups, however, collectivities that do not depend on individual actors are less easily segmented. The presence of multiple paths, passing through different actors is removed; alternative links among members still exist to maintain social solidarity. Information and resources can flow through multiple paths, making minority control of resources within the group difficult. As such, the inequality of power implicit in weakly cohesive structures is not so pronounced in strong structures. In general, structurally cohesive networks are characterised by a reduction in the power provided by structural holes (Burt, 1982) as local holes are closed at longer distances, uniting the entire group.”

Defining structural cohesion in groups where multiple independent paths linking actors together, Moody and White (2003, p. 107), explain that “a group is structurally cohesive to the extent that multiple independent relational paths among all pairs of members hold it together.” In the light of structural cohesion “shadow” business groups may be viewed as more vulnerable if the leader is leaving a group. Moody and White (2003, p.121) suggest that “actors who that can disconnect the group are also actors that can control the flow of resources into network.”

So, Russian personal networks in their vast majority are formed by groups with multiple independent connections represent the strong form of structural cohesion making the Russian society less vulnerable to possible split.

#### **5.8 Multiple networks memberships**

None of us is the member of a single personal network. We collaborate in few networks simultaneously. Research findings show that respondents anticipate in

at least four groups like relatives, colleagues, mates, classmates and college mates and a maximum of eight personal groups at the same time.

The population responses show that Russian people use advantages and possibilities of membership in different networks. For instance, if one needs some information which is difficult to allocate, then he may ask for it in different networks simultaneously in order to gain it in the quickest possible way.

Hannan, Polos, and Carrol (2007, p. 108) define that “multi-category membership lack representativeness in any one of their relevant categories (unless the categories are nested).”

The respondents were questioned to whom they would apply if they needed emotional support, or to borrow money, or different services. Typical response is – “I know to whom to apply. If for some reasons the requested service is not available then I will go further.” People tend to use their strongest relations first and particularly knowing to whom to apply then turning to the weaker relations if needed. Stronger relations allows having access to the wide range of resources (major services), where with the strength of the ties getting weaker the access to resources funnels down, like information sharing and minor services. So, people generally aware in what network which type of resources are being held or allocated. The strength of ties defines the range of services to which a person may have privileged access or not.

Therefore, we may conclude that personal networks represent the phenomenon of nested categories of membership where access to networks resources is defined by the strength of ties. The stronger the strength of tie connecting one with a resource holder then the probability of resource allocation to him is higher.

Multiple networks membership is also increasing a person’s recognition in the local context. The person with higher multiple membership is more trusted being well-known and positively referenced by different sources. Such a person has a wider range of possibilities in accessing networks’ structural holes. Burt (1992, p. 20) argues that “maximise the number of nonredundant contacts in the network to maximise the yield in structural holes per contact.”

Burt highlights that a person with multiple memberships can bring people from different networks together, has a higher chance to spot new opportunities

created by needs in one group to be in demand in another group, coordinate inter-networks activities, easing network expansion for own advantage.

## 5.9 Competition in networks

McPherson et al (1992, p. 153) highlight that “since most social contacts are between similar people, groups tend to be homogeneous.”

Homophily defined by McPherson et al (2001, p. 416) as the principle that a contact between similar people occurs at a higher rate than among dissimilar people. The authors discuss that groups recruit new members from existing connections where being from one social space the behaviour of people in the group is predictable.

Discussing homophily in social networks McPherson et al (2001, p. 419) explain two types of homophily, *status* homophily and *value* homophily.

*Status* homophily refers to the similarity based on formal, informal, and ascribed status. Research respondents confirm that usually members of personal groups in Russia are from the same social space or social class with some rare exclusion.

*Value* homophily reflects values, attitudes, and beliefs of network’s members, and presumed to shape orientation toward future group’s behaviour. McPherson (2001, p. 428) says that “most people spontaneously recognise that similarity breeds fellowship: value homophily.”

McPherson et al (1992, p. 168) explain that “if we want to know why social systems show homophily in their networks, we must recognise that most network contacts are formed in homogeneous groups.” The authors also add that no good evidence on groups’ formation is available.

Discussing his theory of the dynamic behaviour of voluntary groups, McPherson et al (1992) distinguish three essential elements of natural selection processes – variation, selection, retention.

Variation explains similarity in age, sex, race, and other sociodemographic features of personal groups’ members. In the words of McPherson et al (1992, p. 156) “retention occurs when group replicates the members’ characteristics over time by keeping current members or replacing lost members with equivalent new recruits”. Retention in Russian personal groups could be viewed as the tendency

of personal groups to keep the group's authenticity and identity, which is gained through the years of the group's existence.

"The selection process reflects changes in the groups over time due to the recruitment of similar people into the group through homophilious network ties between members and non-members" (McPherson et al, 1992, p. 156). Observing personal groups, I have noticed that the members of the same group have different interests and often different life views. If we take a careful look at any personal group, for example of four friends, we can see a very interesting picture. The members of the same group are people who are different and not repeating each other but complementing each other. For instance, the first one has a very strong sense of logic and deeper knowledge of some issues, where other members come to him for advice or discussion of complicated life and business situations. The second one is like group's inner psychologist and people come to him to share their inner feelings and thoughts. The third one is very high-spirited, lively and considered as the "soul" of the group. The fourth one is very handy and always willing to help.

With the loss of one the group's members, the friends may split apart or they may get tightly together united by sorrow and good memory.

In any case, if someone new going to be recruited into a group, then his abilities and personality must be of the complimentary nature which satisfies the group's needs. My observation about complimenting nature of personal groups was confirmed by respondents who are totally agreed with me.

How do people with different abilities, different personalities, and often with different social status are successfully surviving together? What will happen if members of the same group will be of the same qualities? If the members of the same group will be having similar personalities and abilities, and having access to the same resources, then they will be overlapping and repeating one another, which may cause the inner group's competition.

Being questioned about competition in personal groups, the respondents suggest that there is no competition between network's members

Burt (1992, p.4) explains that "competition is a matter of relations and not player attributes. Competition is a relation emergent, not observed. Competition is a

process, not just a result. Imperfect competition is a matter of freedom, not just power.” So, the freedom for competition is bounded by the norms of behaviour in personal networks.

Let’s imagine the competition in any given network. With the competition presented in the network, mutual support of network’s members will be lost where no one will be happy to share his resources with competitors. The most prominent for Russian society norms of reciprocity will not be so transparent and gradually declining in case of inner network competition. The legitimacy of social norms will not be prominent any more and not regulating the relations. The free flow of information will be damaged due to the members’ willingness to hide information from other members. Reagans and McEvily (2003, p. 246) indicate that “the potential for increased competition is one reason why people avoid sharing what they know”, where in Russian networks information is freely shared between people connected by strong and medium ties and less freely in weak ties.

Therefore, with the presence of competition, different available network resources will become scarce, the network’s density will decline leading to the death of the network, and network’s members will be outperforming each other where all these factors may lead to the high mortality of the personal networks. But it is not so. Russian personal networks successfully survive through generations.

We need to mention the observed exclusion presented in the groups linked by weak ties. For instance, competition presented in the groups of colleagues where the inner competition often caused by the challenge for organisational resources like position, higher salaries, bonuses and rewards, and different privileges. As a result, we may assume that competition between colleagues defines weak strength of ties linking them. As soon as colleagues’ statuses are changed from the state of being present to the state of being former (becoming ex-colleagues) where there is nothing to challenge for them, the strength of relations often increase.

Hobby groups may be used as another example of inner group’s competition where members challenging one another with abilities or achievements like, for instance, competition about a bigger catch between fellow fishermen or a better result between pool players.



Summarising the discussion of competition in personal networks we may conclude that personal groups' survival is dependant on the complementing nature of members' abilities, which secures survival of personal groups in the turbulent Russian environment, where this phenomenon should be investigated further.

### **5.10 Summary**

The structure of ties is different to this offered by Granovetter (1973). Russian personal are networks structurally connected by strong and weak ties. Research findings show that strong and medium ties are functioning as bridges connecting Russian people from different networks where weak ties are not playing important role.

Analysing the population responses, we can say that studied groups exhibit long-term stability with very low membership turnover in Russian personal groups.

In 2006 Batjargal conducted a longitudinal study of a partial explanation of the dynamics of entrepreneurs' networks in Russia. Batjargal (2006) found that the mean network size is 34 persons. A typical Russian entrepreneur had 12 friends and 22 acquaintances. However, present research shows that a typical Russian manager or business owner involved in 92 non-kinship relations of different strengths in average (17 strong ties, and 75 weak ties) what confirms much wider networking potentials of Russian business people than previously recognised.

People of different talents, abilities, and social positions are involved together in the same group making the personal groups' composition fairly complicated. The composition of Russian personal groups has the complementary nature, where each member adds his own specific abilities towards group's social, human, and economic capital. People with different personalities, life experience, talents, resources and views being members of the same group add more value to their groups and avoid inner competition.

With the lack of longitudinal data on Russian personal networks, I am discussing the studied phenomenon as being static, even firmly realising the time-dependent nature of networks.

## **Chapter 6**

### **Social Norms in Russian Networks**

*This chapter discusses how Russian people view social norms, sharing networks available resources and providing mutual support, and transferring knowledge and information between networks members.*

## **6.1 Introduction**

“Mankind’s natural place is in the culture, and culture is a part of human biology because it is our biology that gives us the ability to enter into culture” (Plotkin in Dunbar & Barrett, 2007). There are certain rules and habits specific for a certain culture which exists, where in the words of Dunbar and Barrett (2007) “cultural rules may provide particularly powerful mechanism for enforcing social conformity, not least by creating a sense of group identity.”

By referring to Granovetter (1983), networks operate in the certain environment and certain cultural settings with predefined norms, social and family values, and unspoken meanings, where time spent together, trust, intimacy and intensity of relations are the key characteristics of the networks.

McPherson, Smith-Lovin, and Cook (2001) discussing homophily in networks suggest that “homophily is the principle that a contact between similar people occurs at a higher rate than among dissimilar people. The pervasive fact of homophily means that cultural, behavioural, genetic, or material information that flows through networks will tend to be localised.” Therefore, cultural, social norms of Russian networks are local and specific for a certain population domain.

The social codes of Russia are local and not spread beyond the networks boundaries, so, remain hidden for Westerners.

In respect of possible merge of Russian and Western organisational cultures in the light of globalisation, we need to understand that two codes or systems are incompatible if only the codes would become known between partners in the way to comply with both. Western organisations should attune their cultural codes whilst operating with Russian organisations where Russian codes must be acknowledged and considered.

In addition, personal groups existing in high-context Russian culture characterised by long-term relations which are viewed by the population as more valuable. This issue is not explicit to Westerners as we already discussed in the previous chapters.

Hannan et al (2007, p. 289) suggest that social code denotes and connotes both cognitive recognition and imperative standing. A social code can be understood as (1) a set of imperative signals, as in the “genetic code“ and (2) a set of rules of conduct, as in the “penal code.”

Studying Russian personal networks is important to explore Russian rules, codes of conduct, and imperative signals in order to gain an understanding on how personal networks operate which can be done through investigation of key social norms.

## **6.2 Social norms in networks**

“Social norms are the rules that a group uses for appropriate and inappropriate values, beliefs, attitudes and behaviours” (Wikipedia, accessed 14.10.08).

Social norms regulate and reflect the behaviour of network members and must be seen as vital for the group’s life and identity. However, social norms or codes of conduct existing in Russian personal networks were not broadly discussed in the academic literature despite its importance in respondents’ views. Thereby, the author turned his attention to the most cited academic literature related to the economic aspect of social norms available.

Analysing social norms from the economic theory viewpoint, Elster (1989, p. 99) suggests that “for norms to be social, they must be shared by other people and partly sustained by their approval and disapproval.” Adhering to distinguishing social norms from a number of others, related phenomena, i.e. moral norms and legal norms; and consider that social norms are more than convention equilibrium, Elster (1989, p. 102) suggests that “social norms are emotional and behavioural propensities of individuals” and that both norms and self-interest enter are not the proximate explanations of action.

Elster (1989) provides examples of social norms, i.e. consumption norms, norms against behaviour “contrary to nature”, norms regulating the use of money, norms of reciprocity, norms of retribution, work norms, norms of cooperation, and norms of distribution. Using Elster’s (1989) suggestions, we could investigate social norms existing in personal networks, for example, from a resource allocation perspective, if we are interested in resources or norms of cooperation if we are more concerned about partnership.

Hannan, Polos, and Carrol (2007, p. 235) explain, “Architectural codes specify the means of coordinating members and units, monitoring them, and allocating resources and rewards”. The authors define an organisational architecture as a code that discriminates between the allowed and disallowed feature values for the organisation. Hannan and his colleagues discuss two kinds of organisational architecture, global organisational schema and local, where we are particularly interested in the local codes.

In order to understand how Russian personal networks operate, the present study is looking to explore and describe social norms generally accepted by the members of personal networks through investigation of procedures and communication styles, reciprocity norms, access to resources, knowledge and information sharing.

### **6.2.1 Procedures, Communication styles, and language**

Personal networks can be viewed as small worlds with own unspoken rules, procedures, practices, rules of engagement, and communication styles. Research observation, life stories and population responses show that there are no formal procedures existing in personal groups. The respondents freely communicate within their networks.

People can call their contacts, and particularly close contacts, at any time, day or night. It is like being in touch around clock. It can be the call to tell a fresh joke to the friend or for discussion of a sensitive life issue.

People who are in the close contact can visit each other without any notice, just because they are passing by and want to have a social chat. In order to check if anyone is at home, they may call some minutes prior to the visit, where the research respondents explaining this issue tend to say: - “of course, as a matter of respect, knowing the friend’s or mate’s life style, the respondents avoid calling at inconvenient times. However, in an emergency, I can call in the middle of the night which is considered as normal.”

The sense of protection and care is highly developed among strongly connected network members. Giving out information about friends and old mates is viewed by respondents as inappropriate. For instance, most respondents were not willing to discuss names and personal details of their close contacts explaining it as a matter of confidentiality.

In the case if some job-related information is needed, Russian people can call their contacts even late after office hours or during the weekends, which is considered as normal between members of all groups.

We already mentioned in Chapter five about Russian manner of business negotiations where it is appropriate to discuss life issues, mutual acquaintances, holidays, or political news before entering the business part of negotiations. Such informal discussion helps to establish tighter relations and justify the identification of being insider or “almost insider”. In Russian context, both parts of negotiation, emotional and business, are important. Proving solidarity with the partner’s views on different life circumstances helps a lot in establishing relations and is actually anticipated in the Russian context. In the Russian view, one can be more trusted if he is more emotionally attuned.

There are no special rules about language of communication but we need to consider the importance of phrases and words, meanings that define the context of the conversation. It will be enough to say a few appropriate words in the correct context for the message to be fully absorbed and understood, where it will be difficult for an outsider to realise the meaning of such conversation. A lot of explanations and too many questions being asked look suspicious for Russian people. This phenomenon confirms the tacit nature of personal networks relations.

Actually, the given word means a lot in Russia. Often, it is more valued than, for example, the written receipt for money borrowed. Informal promise between friends and old mates often may replace formal contracts or written obligations. For example, Dmitriy Egorov (41, male, IT Senior Manager, Murmansk) confirms that he can borrow money from his friend, even decent amounts, for an unspecified time without signing any papers.

However, the research experience of Russian personal networks shows the clear cut between informal relations, inside the groups and formal with outsiders. People from outside the circle of relations (strangers or newcomers) are expected to follow all kinds of formalities like signing carefully prepared contracts, agreeing the time of call or meeting, and follow all agreed contractual terms and conditions.

We already have said that there are no formalities between members of the personal groups but importance of keeping traditions and habits in Russian personal networks must be mentioned to those who deal or just visiting Russia. For instance, the respondents know well preferences, hobbies, and likes of their closest contacts and trying to please them if possible. It is the habit of gifts giving between Russians, which is historical, it came from ancient times.

It can be some small inexpensive souvenir or an expensive hobby attribute which is depends of the strength of relations. Gifts are presented on different occasions, colleague's birthday, official holiday, family celebration, or simply as the matter of respect. It is the custom of gift giving to close friends and relatives on returning from a long travel or when meeting with friends who I have not seen for a long time. Gratifying business partners with personal gifts is also the habit in Russian business. The reader must consider that the habit of giving gifts has nothing to do with bribery but is only a gesture of respect in the Russian view.

Another example, Russian people like different home parties with rich home cooked meals where people discuss different issues, sharing jokes, and having fun. Even with restaurants getting more of a habit, home parties is still remain as an informal means of close interaction. A business partner invited for such home party may see it as the sign of respect and confirmation of being accepted on the personal level.



Russian people have very old proverb – “welcoming by dress (image), saying “good bye” by brain (mentality)”. People immediately evaluate appearance where it must be appropriate to the status of the visitor and the purpose of the meeting. One can ruin the promising business deal by being inappropriately dressed where his or her social status would not be appropriately confirmed in the relevant context.

Actually, it can be a pile of books written about traditions and habits in Russia as the country with a long and dramatic history, which absorbed a different cultural heritage, which can't be broadly discussed in the frame of the present study.

### **6.3. Access to resources**

Nooteboom (1999, p. 10) argues that “entrepreneurs have to develop networks of contacts to gain access to resources and to manage them”, assuming particular importance of setting-up and maintenance of personal networks in former communist countries with undeveloped market institutions.

Nahapiet & Ghoshal, p.243, 1998, quoting Bourdieu (1986:249) argue that “The central proposition of social capital theory is that networks of relationships constitute a valuable resource for the conduct of social affairs, providing their members with the collectively-owned capital, a “credential” which entitles them to credit, in various senses of the word. Much of this capital is embedded within networks of mutual acquaintance and recognition”.

Personal networks facilitate resources and capital mutually provided by network's members. Burt (1992) found that a member brings at least three kinds of capital into the network – financial capital, human capital, and social capital.

By referring to Burt (1992), a member makes financial capital available to the network in the forms of cash in hand, potential investments, access to credit facilities. Members' contribution could be only limited by their willingness to share their resources with others and financial capacities. Respondents confirm unquestionable willingness to share available to them resources with their friends, and close relatives, i.e. with people connected by strong ties.

However, people are less prepared to share resources in the frame of weak ties. For example, Eduard Kulik (38, male, ex-business owner, Murmansk) explains that he is not prepared to sacrifice something towards weak relations.

Providing human capital to the network a member offers his natural qualities like charm, health, and intelligence, appearance, complemented by personal skills, experience and knowledge (Burt, 1992). We could add that providing emotional support and effective use of personal qualities between members increasing the value of human capital in Russian personal networks.

Burt (1992, p. 9) distinguishes financial and human capital from social capital where financial and human capitals remain the individual property of a member and define productive capabilities.

Social capital is the third kind of capital that a person brings to the network. Burt views social capital as relationships with friends, mates, colleagues, i.e. relationships in other networks. Therefore, multiple networks memberships play the vital role in increasing value of social capital in networks. Considering social capital as the final arbiter of competitive advantage, Burt (1992, p.9) suggests that “no one player has exclusive ownership rights to social capital” and “social capital concerns rate of return in the market production equation.” Burt mentioned this factor indicating that social capital is particularly important in case that imperfect competition and investment capital are not fully protected. The Russian business environment is risky and unpredictable where businessmen traditionally tend to control their investments, arrange new contracts, secure supply and sales, etc., through the network of personal relations, i.e. extensively using networks’ social capital.

In the recent paper, McCarthy and Puffer (2008, p. 18) confirm that “Russians traditionally used networks to obtain goods and services, jobs, admissions to educational institutions, financing, licensing, and the like”.

### **6.3.1 Advantage of multiple networks memberships**

Hannan, Polos and Carrol (2007, p.301) discuss the principle of allocation and explain that “organisations possess a finite budget of total engagement and total

intrinsic appeal.” The authors suggest that “expenditure of engagement in one part of the niche diminishes the possibilities of engagement in other parts, where application of this principle led us to argue that multiple category membership diminishes competitive strength and viability.” However, by referring to the authors’ suggestion further empirical demonstrations are needed. Of course, we can assume that different networks have different resources because of financial and human resources allocated within them and so, providing different advantages to the members.

We know that organisational resources can be measured and evaluated at any given point of time looking at accounting books and financial reports. But can we properly and correctly evaluate resources available to the personal group? The answer is “no” because personal groups resources could be expanded through the use of weak ties whereby referring to Bian (1997, p. 366) “power, wealth, and prestige possessed by others can be accessed through weak ties that link persons of different status.”

Considering the multiple memberships of group’s members where each member may access different resources allocated within different groups. We already mentioned that each person is involved at least in four different groups (for example, Aleksandr Grachev involved in groups of friends, mates, relatives, and colleagues) and a maximum in eight groups (for example, Aleksey Kim involved in ex-militia, friends, colleagues, mates, relatives, ethnic, college mates, and business group).

Each personal group in Russia is heterogeneous where members are involved in multiple spheres of activity. For example, respondent Uljyanenkova Tatjana (42, female, Murmansk, trial interview) shows that her friends are occupying the following positions - Deputy Prosecutor of Murmansk region, Senior Immigration Officer, Medical Consultant, Chief Accountant.

Occupying different positions in different spheres of activity networks, members have access to different administrative and organisational resources and in the words of the respondents tend to share those resources within their personal groups and so, creating multiple values of the network resources. For instance, the respondent, Vladimir Berezkin (60, male, ex-Navy officer, Murmansk) has

close relations with people from local municipality, prosecutor's office and tax inspection which often help him to solve some of his business problems.

The strength of relations in the network defines the members' willingness to share available resources and so, provide an access to resources. Strong ties secure shared access to available to the different networks resources where weak ties are not. The respondents confirm that being in strong in strength relations means having privileges and different preferences in accessing resources or services. For example, Mikhail Kraplya (36, male, owner and MD, Murmansk) confirms that he has privileges in accessing his friends' resources whether it will be information, commercial services, or administrative resources.

Weakest relations, i.e. networks of colleagues, classmates, and college mates, weak kinship relations are not providing an access to resources available to those networks members and so, are not viewed as functionally valuable by the respondents. All respondents (n=31) suggest that they are not prepared to share their valuable resources with people with whom they are connected by the weak ties. So, Russian people use privileges of accessing resources available to their close contacts and allocated in different networks. For instance, if a businessman has a friend who is signing licences, then he is most likely to receive a license for the widest range of activities; and another friend who is in control of some administrative resources then he has a better chance to receive best federal orders.

Personal inputs of each network member which is based on voluntary nature of willingness to share available resources are allocated in different networks, secures effective network operational outcome and so, providing functional advantages and availability of certain resources back to each member.

### **6.3.2 Reciprocity and Exchange of Favours in Russian networks**

We are helping someone and expecting similar help in return, or providing support to a friend knowing that he will help us if we need it. If nothing happens in return, we feel cheated. We are involved in such operations all the time during our life.

Plickert's and his colleagues (2007) paper on reciprocity in personal networks highlights the importance of favours and support exchanges among network members which could be a key of relationships; whatever it will be emotional support, minor or major services. Bringing an example from East York, the authors suggest that the practice of reciprocity is especially important for the exchange of resources that supply social capital for dealing with everyday matters: minor services and emotional support, where each exchange strengthens the bond and makes further exchanges more likely. The authors using the definition of reciprocity: - "doing for others if they have done for you - is a key way people to mobilise resources to deal with daily life and seize opportunities" (2007, p 405).

Plickert *et al* (2007) argue that, in principal, reciprocity (the Golden Rule) is a universal norm, and therefore applicable for Russia.

### **6.3.3 Terms and conditions of exchange**

So, we are interested in investigating the exchange mechanism, grades of favours (minor, major support, services) and factors surrounding exchange of favours existing in Russian business.

We believe that it is important for the reader to understand the following issues:

- How the exchanges of favours happen in Russian networks, particularly when the time lag between favours/operations could occur within a few years. It must be noted that we are not talking about small favours in this context.
- Could Western organisations gain access to resource-holding networks through provision of certain favours? For example: providing vital market information or sacrificing profit in order to enrich relations.
- Should Westerners provide the favour first in order to stimulate a returned favour and strengthen their position with it?

Cialdini (1993) explains that by obligating the recipient to an act of repayment in the future - "the rule for reciprocation allows one individual to give something to another with the confidence that it is not being lost".

Strength of relations defines the range of services and support provided within personal groups. Strongly connected people enjoy a full range of services and support whether it will be information exchange, emotional support, access to administrative resources, private favours, or financial support. For instance, by referring to the story told by the respondent Vladimir Berezkin (60, male, ex-Navy officer, MD, Murmansk), a friend could provide a place to stay for a long while and help with finding a job.

Even in specific personal groups like ex-militia or ex-Army officers networks people are more likely to provide functional support and emotional support where it possible. For instance, supportive nature of inner ex-militia groups' relations defines functionality of these groups. Members are actively helping each other with employment, providing administrative support, exchanging business related information, and so on.

The respondents consider weak ties as being useful for information exchange and some minor services and consequently not viewing weak ties as properly functional.

Russian people distinguish private and business favours.

Private favours are a help in establishing business, assistance in household, small administrative favours, care about friends' children, and so on, where such favours are provided on a free of charge basis. Small means of gratification for private favours must be mentioned where in most cases it is considered by the research population as the sign of respect and not the actual payment or reward. It could be small personal gifts, or candies, or bottle of brandy, or flowers.

This principle is applicable in all personal networks – friends, mates, colleagues, relatives, etc. For example, Aleksey Kim discussing possible rewards for the favours, which are provided in the ex-militia group, says: - “If a person even not thinking about to ask me for something and I can see then I will gratify him in any case as the matter of respect. No way. It will be the standard set - candies, or brandy for man and flowers for women. It will be some sign of the respect in any case. Not money, for sure, as money might be viewed as the insult.”

In case of the favours related to the development of established business or profit gaining, the conditions of exchange might be different. Expecting to make profit using other network member's assistance people must be prepared to share profit, most probably informally, in mutually agreed way.

For example, Mikhail Kraplya (36, male, Owner, MD, Cape of Hope Ltd, Murmansk) says: "What kind of friend are you if you are not prepared to share profit made with the help of the friend?"

One could argue that exchange of favours or reciprocity is purely based on the principles of the social exchange theory. However, in Russian personal networks the exchange mechanism is based not only on the benefits or possible gain but on the network's rules and obligations which could be viewed as altruistic to some extent and not always rational.

#### **6.3.3.1 Favours to the third party**

If a member is asking for a favour for a third party, i.e. to a non-member, then favours to non-member are provided on a "one-off" basis and considered as a favour to a member himself and not to the non-member.

Such service may be chargeable where the cost of it will be declared and costing explained beforehand and everything will be done if an agreement will be reached. In other words, the outsider supposes to pay for the services provided where using direct access to the group he may save on the cost of service. In the words of respondents third party is unknown to them people and so, favours to them are chargeable or could be done as a favour to the fellow network member who has asked for such a favour.

#### **6.3.3.2 Time-lag factor**

All research respondents (n=31) insist that favours in the groups connected by the strong ties are provided without any expectations of return favours. Provision of favours or services is based on the member's willingness to be helpful. For

instance, helping my friend I will not think for a second about what I may gain or what and when I will have in return.

There is no time-lag for return favours. Of course, major services will be remembered. The respondents suggest that a person may ask for a return favour within indefinite period of time and so, there is no time scale in exchange of favours between people connected by strong and medium ties. For instance, one may expect the return favour within few years.

Relations based on trust, mutual knowledge, history of reciprocal operations, and human willingness to support close people securing itself the exchange of favours and services on the time-scale basis. It must be noted that favours between friends, close relatives, old mates, are not considered as obligations and viewed as a compulsory norm of support between close people.

However, favours provided by weakly connected people are more likely to be forgotten and “forgiven”. Russian people prefer to settle obligations in such cases on the first possible occasion in order not to be obliged otherwise it will be difficult to expect the return favour with the passing of time.

#### **5.3.4 The issue of “*Blat*”**

Only a few studies are available on exchange of favours or reciprocity in Russia, and those few are concentrated on one unique for Westerners feature of personal relations called by Russians as *blat*.

*Blat*, networking, and informal exchange in Russia have been studied by Ledeneva (1998) and it is frequently cited by other researchers. *Blat* is defined as “the use of personal networks and informal contacts to obtain goods and services in short supply and to find a way around formal procedures” (Ledeneva, 1998, p. 37). By referring to Ledeneva, *blat* networks include “not only immediate contacts but also people who one knows only immediate contacts by recommendation” (1998, p117).

Ledeneva (2007) shows that *Blat* is often related to the corruption and bribery which have been recognised as a serious problem in Russia.



Such an issue could be seen as a negative value of social capital previously mentioned (Portes, 1998; Putnam, 2007). Safavian et al (2001) suggest that corruption in Russia is similar to regressive tax, and acts as a disincentive to innovation and growth, it may induce technologically inefficient production decisions, and can dilute economics of scale and scope.

However, Ledeneva does not show the actual structure of personal relations in Russia. Being already dated by now, the issue of *Blat* has little relevance to the relations existing these days between Russians.

Also, Ledeneva has been criticized by Russian colleagues for the lack of explanations, drift from economical aspects to political issues related to the 1990s (Communist regime and not contemporary practices), and only the descriptive nature of the book (Barsukova, 2008).

The *Blat* issue also has been highlighted by Michailova and Worm (2003) in their comparative study of personal networks in Russia and China, where the authors show the three main features of personal networking-social resources, continuity of relationship, and coexistence of trust and cooperation on the one hand and power and domination on the other. The authors point out that “many people in Russia prefer a time-lag that allows them to be owed a favour for later use” (2003, p 512), which could explain the importance of long-term relations with Russians. At the same time Michailova and Worm (2003, p 510) confirm that “while there is a sizable body of research on *guanxi*, the number of studies on *blat* (connections) is very limited”.

McCarthy and Puffer (2008) argue that “networks ingroups whose members expect mutually supportive behaviours based on high trust, high respect for one another’s property and seeking of personal favours by using *blat* within the network.”

The reason to discuss *blat* in the frame of the present research was to highlight different aspects of Russian personal networks, and also to warn researchers against possible a faulty approach in analysing relations in Russian society.

Suggestions provided by previous researchers are not completely correct and may be viewed as inappropriate. Assumingly, such approach was based on dated meaning which was taken as the starting point and so, leading to incorrect answers. *Blat*, these days, has a different to the Communist times' nature and considered by Russian people as dated meaning and rarely used word. In the respondents words *blat* is chargeable access to certain administrative resources, usually small, which is provided to non-members and viewed by respondents as the lowest level of corruption. For example, using *blat* one may receive administrative documents within a few days where officially it may take one month.

Previous researchers who studied the *blat* issue have looked at the phenomenon as a stable feature of personal networks in Russia. However, the things had changed in Russia over the last fifteen-twenty years. We could hardly hear this word in Russia nowadays where these days Russians use different words and meanings, such as "administrative resource", access to funds, and so on. For instance, with the market transformations in Russia no one will allow the access to certain valuable resources for the small favour in return, except for the share in profit, or heavy bribe. Opening access to available resources to the closest contacts is a norm which is embedded in the principle of Russian networks reciprocity.

Russian people have different views on *blat*. Some respondents (n=14) consider it as a useful tool for solving their personal and business difficulties. McCarthy and Puffer (2008, p. 26) explain that "there seems to be an understanding of the difference between *blat* and corruption, with *blat* being seen as necessary and ethical, whereas corruption is widely viewed as unethical."

Another part of responses (n=17) show that people often consider *blat* as unfair use of public or state position where bureaucrats are purposely raising barriers or misreading legislative base for private gain.

What is the difference between *blat* and personal networks reciprocity or what is more effective? The respondents consider personal networks reciprocity as much more advantageous than *blat*. For example, Aleksey Kim (38, male, business group Security Officer, Murmansk) discussing advantages of personal relations

against *blat* says: - “*Blat* helps in solving of a very narrow subject. I will use the life example. There is the person who is capable in solving only land issues. Applying to him you can sort out only land questions. Having the sympathy of your friends and acquaintances we could solve the whole complex of issues, including receiving of this land plot, making it cheaper, further operating, and solving all related issues.”

Another example, Mikhail Kraplya (38, male, owner and MD, Murmansk) says: - “the group’s reciprocity is more effective and powerful where through it you could get access to *blat* if needed; and it will be long lasting and robust. This is the rule of quality-quantity. Being in the group you could access the group’s resources and have informational support. So, moving further, your quantity is reshaping to quality. You have the experience of the group. Somebody, somewhere, somehow has been getting into such contact and so, moving further and using same experience you are moving towards the use of the same or similar contacts.”

Also, we can add that operations in personal relations are emotionally supported where the *blat* operations are not having more of the formal nature.

## **6.4 Emotional Support**

Members of Russian personal networks enjoy strong mutual emotional support. But what is it emotional support in their view? Discussing the importance of the emotional support in networks, Dmitriy Kuznetzov (39, male, owner, Sevrybpostavka Ltd, Murmansk) explains that emotional support gives the sense of spiritual unity, where a person feels that someone is really worried about him; feel sorry about his problems and troubles: actual willingness to understand the nature of his problems.

Emotional support may be viewed as psychological help between network members. Going through the tough times, the network member could turn to others and share his worries easing the stress, and get advice which will be based not only on the facts but, on the knowledge of the situation context. Emotional support means understanding and support of inner feelings, companionship, and

the feel of presence of a close person. Wellman and Wortley (1999, p. 577) explain that “at times emotional support is unspoken, provided simply by the presence of an intimate.”

From my personal experience I could add - I have the friend, my best friend. We are friends for more than twenty seven years, since the time of national service. We are living in different locations, have different social statuses, different backgrounds, and job positions. One look often tells us more than lengthy discussion. I can say that with the time our relations came to the stage where often we even don't need to talk, enjoying mutual presence. It is the strong feeling of being supported in troubles and in joy.

Respondents confirm that they are discussing their inner feelings with friends and close relatives, i.e. strong ties. Strong ties defined by provision of full spectrum of emotional support either in life or business related issues between closely related people in kinship and non-kinship relations.

If people are not fully sharing their confidential inner feelings in their strong relations all respondents still confirm strong emotional intimacy existing within such groups. The deepest inner feelings may not be discussed in some of strong relations but the nature of person's life or business worries or problem will be known and shared. For instance, members of shadow business groups openly discuss confidential business issues in detail where aspects of personal life remain closed.

Weak relations are not providing much emotional support where most likely people may share views but not allowing the discussion of sensitive or confidential issues.

## **6.5 Locality of social norms**

Here is the story from my salmon fishing experience.

*Kola is the famous river on Kola Peninsula (Murmansk area) which attracts salmon fishermen from all over the world and, of course, much honoured by locals.*

*About eight years ago few Moscow and St. Petersburg fishermen came fishing for the first time and were welcomed by locals who had showed them best local*

*tactics and introduced to productive pools. The atmosphere on the river those days was very friendly. We were exchanging flies and fishing tackles, sharing secrets, tips, and proven methods.*

*With years, the number of visitors from Moscow and St. Petersburg has grown. Being polite and courteous at the beginning visitors had started behaving differently with the time. They are trying to occupy the most productive pools, looking for some kind of “privileges” on the river, breaking local fishing traditions and habits and so, bringing discomfort and causing conflicts. Actually, it even was few fights on the river between locals and visitors.*

*They were advised numerous times about the inappropriateness of their behaviour and particularly about the importance of keeping norms of behaviour and support between fishermen as those norms are passed through generations and accepted by all. But those notices were ignored.*

*Consequently, we are not supporting them any more and even trying to push them out of the river asking local officials to stop selling the fishing licences to non-locals; not giving or selling any flies to them even if they lost all their flies and forced to stop fishing; ignoring their requests, and not sharing any information with them.*

Analysing this story, we could say that norms are locally recognised and so guarded by a local audience. If someone or group of people breaching the norms or rules then it may cause the joint action of network members. In the words of Hannan and colleagues (2007, p. 85) “people generally express irritation when their default expectations are not met”.

Social norms have the tacit nature and not written anywhere. Norms are taken for granted and based on the local understanding of the appropriateness of behaviour. Russians use to say that a person behaves typically for Moscow, or Petersburg, or Caucasian; urban or from a rural area; and therefore accepting the locality of norms which may be viewed as means of recognition. The same thing happens when people say – he behaves like a militia official, or we can feel the military spirit in him, or he looks like a person who had worked for a large company. The membership reflects social norms and behaviour appropriate purely to a certain network and reflects the networks’ identity.

So, the members of the same network but from different locations will be accepting the same social norms in general but exhibiting some difference due to the locality of norms which is caused by the local interpretation. For instance, colleagues in Murmansk offices are more supportive rather than colleagues in Moscow offices.

## **6.6 Transaction Costs**

Referring to Jones (1995), Transaction Costs (TC) stem from the need to negotiate, monitor, and enforce the implicit and explicit contracts required to bring resources together and utilise them effectively.

Transaction Costs are constituted by friction in the system caused by uncertainty, limited information, market imperfections, networks, and individual behaviour and preferences of actors (Hannan et al, 2007).

Organisations face high Transaction Costs whilst dealing in Russia due to several reasons:

- Referring to Puffer and Naumov (2000), Russians are high in uncertainty avoidance and so, tend to secure higher margin as the mean of organisational survival. Russian businessmen say that they need a higher margin now as they don't know what will happen tomorrow and the sufficient reserve funds must be set for the "black day".
- The transition period of the Russian economy caused high market imperfection and unfair competition.
- Strong institutionalisation since the communist time is still present where government is involved in the market regulations causing economic misbalance.
- Western organisations have limited information on the inner life and networking system of Russians and therefore face higher costs and barriers.
- Individual behaviour and preferences of actors remains fairly unknown as Russian business is not studied deeply.

- Poor role of the Russian government in specifying property rights and enforcing contracts (Michailova, 2000; Safavian et al, 2001)
- High level of corruption at all institutional levels of Russian state system (Safavian et al, 2001).

Personal networks can be considered as invisible entities existing inside of organisations and can be viewed depending on particular context as supporting or resisting structures, where it will be important to exploit correctly the advantages and capabilities of personal networks or groups, which are embedded in formal organisations.

Madhok (1997, p. 45) suggests that “from the OC (Organisational Capability) point of view, then, the true source of competitive advantage and sustainable rents arises not from the more embodied and visible elements of the know-how but from the supporting structure, or complimentary organisational capabilities around it, that would enable exploitation of this advantage”.

Discussing transaction costs Nooteboom (1999) distinguishes three stages of exchange - Contact, Contract, and Control. Following Nooteboom’s advice, we can say that in order to find Russian market information, Western organisation can save a lot of search and marketing costs employing appropriate techniques. Preparing contracts managers can gather information about their potential partners’ needs and business habits in order to make an attractive offer.

Nooteboom (1999) says that “in the control stage there are costs of monitoring the execution of the agreement, “haggling” about it, problem solving, regeneration and adjustment of the agreement, enforcement and application of sanctions, litigation and possible loss of “specific” investments and “hostages” if the relation breaks.” Prior to investment or stepping into the alliance with a Russian organisation, Western companies could gather a lot of valuable information even before entering the country, at the stage of the project feasibility study.

Dyer (1997, p. 536) argues that “Transaction Costs can be decomposed related to transacting: (1) search costs, (2) contracting costs, (3) monitoring costs, and (4) enforcement costs.

*Search costs* include the costs of gathering information to identify and evaluate potential trading partners. *Contracting costs* refer to the costs associated with negotiating and writing an agreement. *Monitoring costs* refer to the costs associated with the monitoring the agreement to ensure that each party fulfils the predetermined set of obligations. *Enforcement costs* refer to the costs associated with *ex post* bargaining and sanctioning a trading partner that does not performs according to the agreement”

Analysing the automotive industry and comparing American transactors (GM, Ford, and Chrysler) and Japanese transactors (Toyota and Nissan), Dyer (1997) argues that Japanese automakers have lower transaction costs rather than their U.S. counterparts, primarily due to:

1. repeated transactions with a small set of suppliers;
2. economies of scale and scope in transacting with the small supplier group (high volume of exchange between transactors);
3. extensive inter-firm information sharing which reduces asymmetric information;
4. the use of non-contractual, self-enforcing safeguards (i.e. goodwill, trust) which are effective for an indefinite time horizon (as opposed to contracts which are effective for a finite time horizon); and
5. Investments in co-specialised assets.

What about the approach used by personal groups in Russia?

- Respondents confirm repeated nature of their business transactions within the boundaries of small number of their contacts dealing with well-known and reliable partners, which can be viewed as predisposition for establishment of new business groups. For example, Dmitriy Kuznetsov (39, male, owner Sevrybpostavka Ltd, Murmansk) prefers to deal with well-known partners repeating deals for years and not looking for new partners unless it is caused by a certain business demand.

- Being personally connected with their business partners, people tend to sell their goods or offer their services in large volumes to the limited number of partners using the principle of supporting insiders. For example, “shadow” business groups members are dealing with certain limited circle of business partners fairly sharing and raising opportunities within the group’s boundaries.



- Being tightly connected, Russian people sharing all kinds of information freely and at all levels of society and so, quickly reacting on the market changes.
- A person does not need to control opportunism of his circle of relations through legal contracts heavily relying on personal obligations, personal reputations and histories, and third-party references. In Russian business the word often is enough for a deal to go through. For instance, I know about business deals with the value of more than USD1m done by word.

Analysing Dyer's suggestion, we can see that Japanese automakers' approach has some similarity with the approach taken by members of personal networks in Russian business, just on the different scale and based on the common sense and traditions of Russian society.

The reader might ask why we are discussing transaction costs in the present paper. Because one of the reasons of personal networks existence is saving costs of living in private context and transactional costs from organisational perspective. Using personal connections one may save a lot of costs or receive better services. With the transformation of Russian economy, the advantages of personal networks were transferred and reflected onto the organisational level.

Summarising the discussion of transaction costs, I refer to Madhok's (1997, p. 43) suggestion where "collaborations are useful vehicle for enhancing knowledge in critical areas of functioning where the requisite level of knowledge is lacking and cannot be developed within an acceptable timeframe or cost"; particularly considering that organisation's store of knowledge is based far away. So, I am joining Madhok's position and advise Western organisations entering the Russian market to adopt cooperative methods of Russian personal networks.

## **6.7 Knowledge and Information Sharing**

The exchange of knowledge and information is one of the most crucial factors in networks daily life where according to Reagans and McEvily (2003), the ability to transfer knowledge represents a distinct source of competitive advantage for organisations over other institutional arrangements such as markets.

Madhok (1997, p.42) explains that “a robust and sustainable advantage may require a firm to operate in different markets in order to develop various differing through associated capabilities, and thus benefit from the idiosyncratic skills rooted in the particular country”. Madhok’s argument confirms the importance for Western managers to adopt knowledge and skills specific for Russia. Organisations are tending to enter the foreign markets and the Russian market is not an exception, where referring to Madhok (1997) organisations aiming to exploit their rent-yielding, firm-specific advantage, some form of know-how.

Madhok (1997, p. 42) discussing critical organisational capability of acquiring and exploiting knowledge suggests that “this process is closely dependant on the relatedness of new flows of knowledge through current strategies to the existing stock of knowledge” and so, Western practitioners should revise their approach to strategy if they expect to gain Russian local knowledge or effective use of knowledge already gained in strategy development and implementation. Ignoring local knowledge is mistakable as a firm is more likely to lose the organisational capability for functioning in the foreign market. In the words of Madhok (1997, p. 42) “capability accumulation is a dynamic process where the information management attributes of the firm, i.e., the firm ability to acquire, evaluate, assimilate, integrate diffuse, deploy and exploit knowledge, is critical. This refers to the process and routines by which a firm’s knowledge base is developed and integrated into the functioning of the organisation.”

Defining knowledge Kogut & Zander (1992, p.383) argue that “the knowledge consists of information (e.g. who knows what) and know-how (e.g. how to organise a research team). What is central to our argument is that knowledge is held by individuals, but is also expressed in regularities by which members cooperate in a social community, i.e. group, organisation, or network.”

Answering the question about effective knowledge transfer Reagans and McEvily (2003, p. 240) explain that “the ability to transfer knowledge effectively among individuals is critical to a host of organisational processes and outcomes, including the transfer of best practices, new product development, learning rates, and organisational survival”.

Burt (1992, p.13) suggests that two kinds of the networks' benefits provide two kinds of benefits, information and control, where "information benefits occur in three forms: access, timing, and referrals."

Access allows receiving and allocating valuable information. The networking structure of Russian society allows gathering information where people use a wide range of the personal networks possibilities. The respondents explain that personal networks are viewed by them as the main source of information which is extensively exploited. The respondents confirm that they may access almost any information even remote and confidential. Russian managers actively exchange information and organisational experience where it supports organisational sustainability. For instance, the respondents confirm that they actively exchange work related information between friends, mates, and close colleagues.

In the words of Reagans and McEvily (2003, p. 241) "the friendship networks promote knowledge transfer, allowing managers facing similar market conditions to learn from each other's experience". Networks members, and particularly strongly connected ones are actively sharing information. It has been noticed during the study that with relations getting stronger, people tend to share more information and also the quality of information also increases.

Burt (1992, p. 13) also explains that "there are limits to the volume of information you can use intelligently", where we can manage only a certain amount and forms of information received. In personal networks information comes to the recipient already in a format understandable for the recipient, i.e. meaningful, and explained in the same language, supported by the emotional explanation of experience and so, allowing better access. This phenomenon is based on the knowledge of members' personalities and learning abilities.

Timing is viewed by Burt (1992, p. 14) as "a significant feature of the information received by network" where a personal network member has an advantage of receiving information earlier than others which is important from business viewpoint. It is important for a practitioner for understanding forthcoming changes in tax regulations and licensing rules, market changes and so on. In Russia,

information received at the earlier stage sometimes is a matter of business life and death.

In our private life, we aim to receive a piece of information as soon as possible or within certain time limits. In case if we can't allocate the needed information on the internet or other publicly available sources, then we turn to our network contacts indicating by what time we need to have it. Russian personal networks are characterised by quick access to information and flow of it on the local level. Russian managers use this advantage gathering information about their competitors, federal and local changes, market forecasts and tendencies, people personalities, business strategies and tactics.

Referrals viewed by Burt (1992, p 14) as a positive force for future opportunities, where the author suggests that "personal contacts get your name mentioned at the right time in the right place so that opportunities are presented to you." Third party reference is viewed by Russian respondents as important in establishing new relations and so trust, gaining access to different resources, and secure obligations.

All of research respondents suggest that referrals are needed in all cases and make first contacts easier, and even in the respondents words people are not willing to talk with a stranger without references from a well-known person. For instance, respondents often mention that such referral proves that the reliability of newcomer which was proved in other relations.

Also, referrals are important whist investigating the newcomer's background.

Reagans and McEvily (2003, p. 240) argue that "informal interpersonal networks are thought to play a critical role in the knowledge transfer process. Our understanding of how informal networks affect knowledge transfer, however, remains unclear because the effect of networks on knowledge transfer has yet to be examined directly" and could be viewed as the research gap.

Defining the phenomenon of knowledge transfer, Reagans and McEvily (2003, p. 242) explain that "knowledge transfer represents a cost of knowledge in terms of time and effort spent helping others to understand the source's knowledge."

### 6.7.1 Flow of information and knowledge transfer in networks

Why we are discussing knowledge transfer? Is it important for networks functioning? Looking from the networks life perspective, we can see knowledge transfer as reflecting sharing life experience, knowledge, views and visions, feelings and emotions.

If we look at organisations, we can see that all organisations act towards increasing their capital. By referring to Nooteboom (1999), resources are divided into three types of capital where he shows that "Economic capital includes assets and most of competencies; Social capital consists of positional advantages based on relations with other organisations; Cultural capital consists of symbolic capabilities to produce new meanings and goals, or institutions in the sense of limiting and guiding conduct."

Nooteboom (1999) says: - "resources can be difficult to understand and imitate because the knowledge involved is to a greater or lesser extent tacit (not documented) and embodied in the heads and hands of people, in teams, organisational structure and procedures and organisational culture." We may add that personal groups could be viewed as teams or some kind of informal organisational structure (for example, Russian business groups). Having confirmed by respondents that there are no formalities or procedures, we can conclude that knowledge accumulated in personal networks could be viewed as tacit confirming findings of previous researchers.

Adapting knowledge from different networks managers tend to increase their competences and assets management effectiveness, i.e. increasing organisational economic capital. Relations between organisations are not the matter of contracts or formalities but human connections where with strengthening of personal relations, an organisation gains social capital. Symbolic capabilities of cultural capital could be produced only by people of the same views and values, preferably well-known to each other, i.e. personally connected.

Nooteboom (1999, p. 14) highlights "the distinction between tacit and documented knowledge is closely related to distinction between "procedural" and "declarative" knowledge." By referring to Nooteboom, procedural knowledge constitutes ability

or skill to perform some activity and declarative knowledge constitutes an explicit knowledge of facts, causal relations, etc.

We are interested to learn about both types of knowledge, tacit and documented, in the context of the present study as both types of knowledge are valuable in the Russian context where with little if any institutional support and information documented knowledge often becomes tacit. However, Nooteboom (1999) confirms that tacit knowledge (1) requires close interaction and (2) encounters problems of absorptive capacity due to lack of awareness as a basis for criticism and so, is more transparent in personal networks.

Nahapiet & Ghoshal (1998, p. 245) provide explanation about the fourth type of resources – intellectual capital, where “intellectual capital thus represents a valuable resource and a capability for action based in knowledge and knowing”.

Knowledge sharing is an important issue from business and education points of view. The networks members expect to share their knowledge and information with others for free and at any time. The fact of hiding some information from friends and to some extent from mates is taken as cruelty. If any network's member demands any information then his/her friends rather will share it with him/her or will ask for it from their own contacts from other networks. Considering that Russian people are not prepared to pay for advice or consultancy as free information exchange is the norm in Russian networks, led me to think that this is the reason for the slow development of consultancy business in Russia.

In the words of Reagans and McEvily (2003, p. 240) “knowledge transfer is presumed to be the causal mechanism responsible for this relationship, or between the strength of ties between people and knowledge transfer, whereby ties strength is used as a surrogate for network structure.”

Extensive networks relations, which we can see in Russian society, represent the cumulative nature of knowledge and information where it can be quickly generated through multiple networks memberships which increase the volume of information, and easy access and effective timing of information flow.

In case when a certain piece of information is missing or inconsistent then the recipient may conclude about a possible gap either in structure, i.e. structural hole which suppose to hold certain information, or lack of certain knowledge where such gap may reflect the possibility for raising business opportunity.

### **6.7.2 Multidimensional view on information flow**

What is the architecture of knowledge and information sharing? How are knowledge and information transferred between network members? Discussing the effects of cohesion and range on the knowledge transfer Reagans and McEvily (2003) highlight about lack of examination on the path from network structure to knowledge transfer.

Nooteboom (1999, p. 13) offers an interesting suggestion saying that “for learning, partners should on the one hand have sufficient “cognitive distance”, i.e. possess different cognitive categories, to be able to capture knowledge that one could not have captured oneself, but on the other must be sufficiently close, in cognition and language, to enable meaningful communication. If effectiveness of knowledge transfer is the product of novelty and intelligibility, this yields some optimal intermediate cognitive distance.”

Does it not remind one much of the personal group where members have the meaningful communication established between them? Groups’ members have sufficient “cognitive distance” being of different ranks, social levels, and professions where talking the same language, trusting each other, and being close with each other securing effective learning and transfer of tacit and documented knowledge..

Is it only cognitive distance that defines the effective transfer of knowledge and information? If we try to imagine three-dimensional axes, we can say that cognitive distance might be taken as one dimension, where the other two dimensions will show us where knowledge or information comes from, vertical and horizontal.

#### Vertical dimension

Vertical dimension represents relations between leaders and subordinates and so organisational, where in the majority, information travels from bottom

(subordinates) to top (leaders) and less of information travels from top to bottom. Vertical flow of information usually has a form of instructions, orders, warnings, and wishes and rarely full or detailed information, i.e. being more documented when coming from the top to bottom and reports and comments when coming from the bottom to the top.

The respondents with different organisational ranks and positions undoubtedly confirm that in the vast majority of cases, they don't receive much information from their organisational leaders.

Employees are spending more of their working time with colleagues rather than with organisational leaders, where more frequent communication can lead to more effective communication through development of working relations (Reagans and McEvily, 2003). Therefore, vertical relations are less knowledge productive being bound by limited frequency of short in time contacts.

I have noticed that this issue is particularly transparent in larger organisations where leaders spend very little if any time with the middle and lower range of employees.

The respondents from small organisations where directors and owners are closely working with employees confirm a more active exchange of knowledge, information and experience between leaders and subordinates.

So, it leads me to conclude that structural organisational distance defined by the size of organisation, influences the vertical transferability of knowledge and information in Russian organisations where this issue should be investigated further. Actually this issue can't be purely Russian but more universal.

#### Horizontal dimension

The author had noticed during the research observation that knowledge and information travels horizontally in its majority and less vertically. This phenomenon was particularly discussed with the research respondents during the interviews and conversations with informal respondents. All respondents have confirmed that the majority of knowledge and information is received from their friends, mates, acquaintances, and colleagues, i.e. horizontally where very little of information and particularly knowledge which comes vertically.



The reason for us to say that personal groups of friends, mates, acquaintances, relatives, and colleagues are considered as the horizontal dimension is as no subordination actually exists between the networks' members.

In order to search for information, people tend to apply first to the nearest circle of relations and then going further employing weaker ties for information searching process if needed.

The research findings show that specific, confidential and tacit knowledge are more easily transferred between people connected by strong and medium ties whereas effective transfer is based on few factors:

- Willingness and readiness to share knowledge with entrusted people.
- Personal networks norms and obligations define information sharing as a condition of membership.
- Provide value to the personal group.

In the case when the closest contacts don't have requested information or knowledge at hand, then people tend to go further into other groups, including weak ties, in order to obtain it. So, all range of ties could be involved in information gathering, i.e. strong, medium, and weak ties, where it allows crossing boundaries of different, often distant networks.

Because of personal ties knowledge and information travels enormous distances and not just inside of one network but between different places, industries, and even countries, i.e. crossing boundaries of different networks. The respondents explain that a well connected person may easily access information from other places using their networking possibilities. Reagans and McEvily (2003) confirm that "network range is likely to promote knowledge transfer by affecting people's ability to convey ideas across distinct bodies of knowledge. People connected to multiple bodies of knowledge are exposed to more worldviews."

Information gathered by a number of members and obtained from other networks, could be viewed as a large growing horizontal area, which often comes from remote sources. Research results support the Reagans and McEvily's (2003)

suggestion that an individual surrounded by a diverse network could transfer knowledge across a structural hole even when the connection was weak.

Access to information from different organisational and state levels, is defined by networks heterophily where members of different groups in the same network have a different social status and organisational positions. For instance, having access to the group of senior managers, even not direct, one may gather information about employment possibilities.

The respondents confirm that information comes to the recipient already in and understandable format for him/her, i.e. accessible. For example, Alexey Kim (Murmansk, 38, male) suggests that his friends are aware what information he demands and supplying him with particular type of information.

The format of information depends of the type of relations, i.e. strength of ties, where stronger ties allow having more broad and detailed information and more narrow information and so, lower in quality information, within weak ties. This factor could be explained by people's willingness to spend more time searching and handling information in strong or medium in strength relations and less time in weak relations. People connected by weak ties are less prepared to spend a lot of time sharing knowledge and discussing important details. Even opposite, weak ties may provide unreliable information. The respondents are often saying: - "why should I share my valuable information with remote people or strangers?"

Reagans and McEvily (2003, p. 245) also explain that "like tie strength, cohesion affects the motivation of an individual to transfer knowledge to a co-worker or colleague".

Horizontal flow of information provides an advantage of receiving the complementing information, which may be obtained from different sources and will be better verified providing a wider picture for an information recipient.

Comparing to information which is coming vertically in the forms of instructions and orders, horizontal information has a more implicit and tacit nature as reflecting people's experience and opinions, making it most valuable for the value creation.

The offered approach is applicable for the individual network member or organisation members only and not for an organisation or network as whole. The multiple natures of personal networks memberships is demanding a more complex approach and with increasing numbers of dimensions become more complicated. McPherson, Popielarz and Drobnic (1992, p. 168) explain that “social space is not only multidimensional, but the dimensionality of the space increases as society grows in scale and complexity.”

## **6.8 Discussion**

Russia has changed enormously over the last twenty years. We can see the ultimate changes everywhere, in economy, in state system, in laws and regulations. But not much had changed in personal networks where traditions, reciprocity rules, inner social norms are remain fairly stable. In the words of McCarthy and Puffer (2008, p.17) “for the foreseeable future, traditional values and norms will remain important in Russian business, and they are supported by the extensive use of networks.”

The inner social norms of personal networks regulate members’ relations, networks functioning and operational principles, terms and conditions of exchange, emotional support. Social norms and traditions are not written anywhere, and taken for granted by the population remaining purely tacit.

Being generally accepted by Russian people, social norms and principles have some local interpretation where, local differences should be considered by practitioners who enter and explore new territories. Breaching locally accepted social norms may cause the tension between people or organisations.

Networks members actively share all kinds of knowledge and information. The research findings show that knowledge and information sharing in networks has the multidimensional nature defined by cognitive distance, vertical and horizontal dimensions of the knowledge and information flow.

However, concluding the discussion of social norms in personal networks, it must be mentioned that referring to Leonard-Barton (1995, in Nahapiet & Ghoshal,

1998) norms also may have a dark side; those capabilities and values initially seen as a benefit may become, in time, a pathological rigidity. Using their personal networks capacities people could easily organise actions against business leaders, or particular former member, spread negative information, and so on.

## **Chapter 7**

### **Trust**

*This chapter discusses how Russian people define, establish, and maintaining trust. The role of trust in networking relations is also discussed in this chapter.*

## **7.1 Introduction**

It has never been but a challenging exercise for Westerners to establish trust in Russia. Unfortunately, despite its vital importance, the nature of trust or how trust is maintained among Russians or with Russians has not been studied in depth where only a few articles are available.

Russians are famous for being unpredictable and not very trustworthy in the Westerners' view. But surely Russians have a certain way of trust maintenance among them. We could assume that if we learn how trust maintained among Russians, then Westerners could adopt such an approach in maintaining trust with Russians more effectively.

Trust is particularly transparent in personal networks where studying Russian personal networks existing in Russian business, we can get the reliable research data on how trust is defined by research population and how trust is created and developed in personal networks.

## **7.2 The Importance of Trust**

The pressure on managers is growing all the time where managers can't administer everything using contractual relation or organisational structures within and outside their organisations (Burt, 1992). So, it's becomes critical for them to develop trustful relations with all participants increasing organisational manageability and competitiveness. Burt (1992, p.15) argues "trust is critical precisely because competition is imperfect."

Talking about importance of trust, we want to bring Nooteboom's (2002, p. 1) suggestion - "trust is all times. It is pervasive and indispensable."

Discussing the value of trust in society Nooteboom (2002, p.2) argues “trust can have extrinsic value, as a basis for achieving social and economic goals. It can also have intrinsic value, as a dimension of relation that is valued for itself, as part of a broader notion of well being or the quality of life.” Arguing about the importance of trust Nooteboom explains that trust is gaining more attention where trust defines interaction between autonomous agents (people, organisations).

Trust is important for different areas of human activities and development of social and economic values. In the words of Song (2007), trust and reciprocity are important forces behind many phenomena in socio-economic life. Song (2007, p.1) claims that “Across disciplines there is a strong consensus that trust and reciprocity represent critical forms of social capital”.

Bahry and her colleagues (2005, p. 521) investigating trust in ethnical groups in Russia, suggest that “trust plays a central role in economic life, fostering cooperation and thus facilitating impersonal exchange. The results can be dramatic: higher trust has been associated with greater citizen involvement in politics, lower corruption, more effective public services, higher economic growth, and other benefits.”

Nooteboom (2002, p.6) citing Williamson (1975), suggest that “trust is important and businessmen rely on it much more extensively than is commonly realised.” Business practitioners are daily involved in number of organisational transactions, which often can't be properly articulated or written in the form of the clear operational manual.

Conducting business in a trustful atmosphere organisations tend to lower their transaction costs. Doney et al (1996, p. 601) found that “trust is a valuable contributor to many forms of exchange. In interfirm relationships, researchers credit trust with lowering transaction costs in more uncertain environments”.

Webber and Klimovskiy (2004) suggest that organisations are working to foster long-term trusting relationships that facilitate organisational effectiveness, where meeting customer needs is a not sufficient condition for success of organisations any more. .

Trust influences organisational competitiveness. Huff and Kelley's (2003, p. 81), suggest that "competitiveness in global industries increasingly requires the ability to develop trusting relationships. This requires organisations, and the individuals they are comprised of, to be both trustworthy and trusting. An important question is whether societal culture influences the tendency of individuals and organisations to trust."

The growing number of multinational organisations is more concerned about trust within organisations and with external stakeholders. For example, the famous brand, Timberland, has changed organisational policy towards engaging consumers on social issues to rebuild trust, which has been damaged during recent financial crisis.

Studying consumer trust, value, and loyalty, Sirdeshmukh, Singh, and Sabol (2002) underline the importance of gaining trust first if we want to gain the loyalty. The authors suggest that frontline behaviours and management practices are likely to be the key drivers of consumer trust.

Nooteboom (2006) notes that countries vary in the extent that there are institutions that support trust and to the extent there are no such institutions, trust must be built entirely from relationships, and without institutional support that can be laborious and such trust can be fragile. Considering that Russia is the country with little if any institutional support, trust would have to be built entirely on relationships where personal networks can be viewed as perfect trust construction sites.

Underlining the economic relevance of trust Nooteboom (1999, p. 25) says that "trust is that it economises on the specification and monitoring of contracts as well as material incentives for cooperation and reduces uncertainty." Also, Nooteboom adds that trust makes transactions cheaper and yields greater flexibility, lowering costs of search and monitoring. Contemporary trend in an organisation's development caused by globalisation shows the tremendous number of alliances, mergers and acquisitions of different scales and scope.



In the context of the present study will be useful to reference Nooteboom (1999, p. 33) – “there may be a basis of trust prior to the settling up of alliances, founded or shared norms or rules, reputation or existing bonds of kinship or friendship. One can select a partner on the basis of his or her characteristics, such as being a member of a family or community. One can marry into a family and become a member of some communities, but entry selection can be strict and again it can take considerable amount of time.”

### **7.2.1 Russian view on Outsiders**

Discussing trust in the Russian context, we must provide the Western reader to understand how Russian people see foreigners. Michailova and Husted (2003), in their study of knowledge sharing in Russian organisations, found that Russian people are ‘Suspicious of Foreigners’.

In order to clarify this issue in the context of the present study, the respondents were asked to explain their thoughts and views on foreigners. Russian people have completely different views on foreigners, from completely positive to quite negative where we are particularly interested in understanding the reasons for negative impression.

What are the reasons for the negative opinion about foreigners? Do Russians trust foreigners? McCarthy and Puffer (2008, p. 21-22) citing Ayios (2004, p.14), note that “trust is embedded in the cultural and institutional context of a relationship, as well as in the social norms and cultures of the parties in the relationship. There is a strong Russian cultural tendency to distrust individuals, groups, and organisations that fall outside the sphere of personal relationships. Westerners often mistakenly assume that the reputation of their firms are sufficient for building trust, but in Russia trust arises primarily from interpersonal trust-building activities.”

Russian people have only 15-20 years of contemporary business experience doing their business differently to Westerners. The difference in history of Russian and Western businesses is often seen as the barrier by the respondents.

For example, Mikhail Kraplya (36, male, owner and MD, Cape of Hope Ltd, Murmansk) says: - "I will trust foreigners less than Russians. We will tie up everything to the papers. We need to get everything into one standard. Actually, Russia has been in business only for fifteen years. We have been doing whatever is possible before, slavery, communism building, life on the Mars, etc. We have been in business for twenty years in this country only. Even less. Let's take Britain - five hundred years of the business history. Let's talk about Germany - more than two hundred years of business. Let's take America - two hundred years of running business plus all Jewish with thousands of years of being in business and being well in the States. And you want me to trust people who "had" the whole world for thousand years. This is the matter of received experience - cause and consequences effect."

Similar experience had been shared by Eduard Kulik (38, ex-business owner, Murmansk). The respondent explains that he doesn't trust foreigners because of the huge difference in business experience between Russians and Westerners.

Respondents would like to know as much as possible about a foreigner's life, contacts, habits, and living environment. They tend to distrust an unfamiliar person or person with no background. Even being in business relations for a while but not knowing about the private life of their foreign partner, Russian people remain suspicious about him. For example, Aleksey Kim (38, male, business group Security Officer, Murmansk) says: - "I will trust less to the foreigner than to Russians, much less. Not because I dislike them, not at all. They are not clear to me. I am not doubtful about his decency. The language barrier is the big problem. Things that we can mark by intonation; certainly he has the same. But I will not get from his intonation whether he is happy or surprised. It will be very difficult for me to realise what is actually going on. For example, in business, it will be easier for me to talk with him in straight legal language, having signed some kind of contracts, papers, and assurances. I don't know what is going on on his side, what kind of rules are existing over there. I need to be over there to see how he lives; not from the financial point of view but just to see his circle of relations, some recommendations, even his personal appearance. Even how clean and tidy his house is will tell a lot about the person. I need to see the person working, doing something for real. Then trust and respect for his ability to work appears after such experience.

I have often seen Westerners coming to Russia and behave snobbishly where such attitude can destroy the chances for trust development completely. Respondents' opinions support my observation. For example, Vladimir Edunov (47, male, Commercial Director, Avega Ltd, Murmansk) shows that he doesn't trust foreigners at all because in most cases they behave brutishly, cunning, showing their superiority, and presenting that everything is so bad in Russia and everything is so good in their home countries.

Molinsky (2007) points to the fact where "instead of operating exclusively within the cultural settings in which they were born and raised, individuals must now be capable of functioning appropriately in a wide variety of foreign cultural situations, many of which have different cultural norms for appropriate behaviour that may conflict with their core values and beliefs." The respondents suggest that if foreigners want to maintain trust with Russians they should follow the norms and traditions existing in Russian society or at least don't put their own norms first. Foreign organisations entering the Russian market must be seriously prepared for adoption of Russian cultural settings and norms where establishing trustful relations with locals could be quite a challenging exercise.

### **7.3 Defining Trust**

Two organisations which are cooperating usually have agreed the standard of measures and meanings. If trust is seen as an important feature of relations, then both parties involved must have a mutually understandable meaning of trust where we aim to provide the Western reader with the definition and understanding of trust by the members of Russian personal networks.

#### **7.3.1 Definitions and Forms of Trust**

Prior to discussing trust we need to understand, at first, what does trust mean or how it is defined. Rousseau et al (1998, p 394) note that "to date, we have had no universally accepted scholarly definition of trust". The authors suggest using a widely held definition of trust:

*"Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another."*  
(Rousseau et al, 1998, p. 395)

By referring to Rousseau and colleagues (1998) trust has two necessary conditions - risk and interdependence. "Risk creates an opportunity for trust which leads to risk taking. Interdependence is the condition, where the interests of one party cannot be achieved without reliance upon another" (1998, p 395). Also, Rousseau et al (1998, p. 395) remind that trust changes over time-developing, building, declining, and even resurfacing in long-standing relationships.

In any case, how trust is defined by Russians or within Russian society still remains unclear and Western organisations continue using Western meaning of trust in Russia. So, researching trust in the context of personal networks, we need to find out how the trust defined by Russians prior to the main phase of the research. Dietz and Hartog (2006) provide nine commonly used by Western scholars' definitions of trust, which were used as a specimen for defining trust in Russian terms.

<b>Definition</b>	<b>Author</b>
<i>The conscious regulation of one's dependence on another</i>	Zand (1972)
<i>The extent to which one is willing to ascribe good intentions to and have confidence in the words and actions of other people</i>	Cook and Wall (1980)
<i>A state involving confident positive expectations about another's motives with respect to oneself in situations entailing risk</i>	Boon & Holmes (1991)
<i>The extent to which a person is confident in, and willing to act on the basis of, the words, actions and decisions, of another</i>	McAllister (1995)
<i>The willingness of a party to be vulnerable to the actions of another part based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party</i>	Mayer, Davis and Schoorman (1995)
<i>The specific expectation that an other's actions will be beneficial rather than detrimental and the generalised ability to take for granted... a vast array of features of the social order</i>	Creed and Miles (1996)
<i>Confident positive expectations regarding another's conduct in a context of risk</i>	McAllister and Bies (1998)
<i>...reflects an expectation or belief that the other party will act benevolently</i>	Whitener et al (1998)
<i>A psychological state comprising the intention to accept vulnerability [to another] based upon positive expectations of the intentions or behaviour of another</i>	Rousseau et al (1998)

Table 1: Common Definitions of Trust. (Source, Dietz and Hartog, 2006)

Discussing trust in organisational context, Nooteboom (2002, p. 5) suggests that "a universal intuition about trust is that it is an expectation concerning the behaviour of other".

### **7.3.2 Definition of Trust in Russian way**

Trust is considered as the universal phenomenon. However, different definitions of trust are used in different cultures as it is mentioned in the previous paragraph. Macy and Skvoretz (1998, p 638) argue that effective norms for trusting strangers emerge locally, "in ex-changes between neighbours, and then diffuse through "weak ties" to outsiders".

Therefore, it must be specific for the Russian definition of trust which is generally accepted by Russian people. Noorderhaven (1999, in Dietz et al, 2008, forthcoming), suggests that "it is much more productive to explore and compare the meaning of trust and its antecedents and consequences as perceived in various cultures".

Huff and Kelley (2003, p. 87) in their seven-nation study of organisational trust claim that "there is also some indication that the strong internal climate of trust one would expect in organizations from collectivist cultures may not hold true. If this low level of trust for outsiders is an inherent part of collectivist cultures, organizations from collectivist cultures would appear to be handicapped in their ability to develop trusting relationships in a world economy where that ability is becoming increasingly important". Following Huff & Kelley's suggestion, we have a much better chance investigating trust in Russia using the Insider's advantage where doing otherwise will be mistakable or not fulfilling the research tasks.

Realising the importance of defining the meaning of trust in Russian context and in order to be prepared for discussing the trust issue with the population respondents, the author has questioned a large number of his Russian acquaintances and business partners about their understanding of trust prior to the interviews. More than fifty Russian people besides the interviewers' respondents were asked questions about their definition of trust.

All of respondents (n=31) refused to accept common definitions of trust offered by Diets and Hartog (2006) tending to define trust in their own manner.

During the Pilot Study, the common reply for the Russian respondents' definition of trust was identified, and later approved as being correct and accepted by the rest of the research respondents during the main phase of the research.

Russian respondents define trust as confidence that someone will not do any harm, will support emotionally, and keep their private information confidential.

Commenting on the definition of trust in the Russian context, it is important to add that all three parts of the definition are seen by Russian people as compulsory and reflecting interrelated nature of trust.

- Someone will not do any harm. This is the feel of care and security against possible betrayal and inappropriate opportunistic behaviour of entrusted person. Also, this is the confidence that people will talk and act openly, without “double-standards” of behaviour. Respondents explain that what is the point to trust someone who may do some harm to them.

- In Russian terms, the emotional support must be provided without any doubts and much questioning, and at any time, particularly in sensitive private cases. Research from formal and non-formal respondents often mentions – “how I can trust someone who doesn't support me emotionally or can't understand me.” Shared emotions are securing confidence of mutual security, mutual obligations, and emotional intimacy.

Functional support could be neglected if it out of possibilities but emotional support must be provided in any case.

- Keeping private information confidential and not spreading it to anyone is seen as very important aspect. Despite the active exchange of all types of information, Russian people prefer to keep their private information close to the chest where none of it should go to the third-party or outside the agreed circle of people and particularly to the people from outside of the group's boundaries.

Having defined the meaning of trust among Russian people, we could proceed with the investigation of how Russian people maintain and develop trust within Russian society offering the algorithm of maintaining trust with Russian people.

## 7.4 Factors of trust

Mayer *et al* (1995) analysed the issue of trust prediction as a means of uncertainty reduction and argue that trust should go beyond predictability.

The authors provide the model of factors concerning the trustor or factors of perceived trustworthiness, which is based on three main factors - ability, benevolence, and integrity, where:

-“Ability is that group of skills, competencies, and characteristics that enable a party to have influence within some specific domain” (1995, p. 717).

-“Benevolence is the extent to which a trustee is believed to want to do good to the *trustor* aside from an egocentric profit motive” (1995, p. 718).

-“The relationship between Integrity and trust involves the trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable” (1995, p. 719).

Mayer *et al* (1995) claim that those three factors are most important for trust.

“Working together often involves interdependence, and people must therefore depend on others in various ways to accomplish their personal and organizational goals” (Mayer *et al*, 1995, p. 710).

We can see the Mayer's three factors (Ability, Benevolence, and Integrity) as interlinked and dependable features of network characteristics and trust.

Using Mayer *et al*'s (1995) approach and definitions, Sirdeshmukh *et al* (2002, p. 17-18) focusing on the notions of operational practices provides a model similar to Mayer and colleagues' where:

- Operational competence is the expectation of consistently competent performance from exchange partner which has been noted as a precursor to the development of trust in the context of a variety of business relationships
- Operational benevolence is defined as behaviours that reflect an underlying motivation to place the consumer's interest ahead of self-interest.
- Problem-solving orientation is defined as the consumer's evaluation of FLE (Front Line Employees) and management motivation to anticipate and

satisfactorily resolve problems that may arise during and after service exchange.

By referring to the Mayer et al (1995) definition, Ability represents the group of skills, competencies, and characteristics enabling a party, where in the light of the present study, it could be personal group members, to have influence within some specific domain, i.e. network environment. In other words, the network member should have appropriate and be useful for the certain network set of abilities and skills, which are important for the group existence like communication skills, specific knowledge, access to vital for the group resources, business capabilities, etc, where without those skills and characteristics, the group could not function profitably. One's reliability could be viewed as Ability as well where he/she does exactly what has been promised. Actually, in Russian networks, the ability to keep relations is more important than the ability to complete some task and have the value for the network itself. From an organisational viewpoint a manager must exhibit his professionalism as the sign of Ability in order to be trustful.

Benevolence, where a trustee is believed to want to do good to the trustor, in the network terms could be seen as members' willingness to support the group and cooperate with others.

We can't imagine the group existing if members are not willing to support each other or going against the group's interests. If members do not believe another member is willing to do something good to them, then there will be no stable relations and so, no group stability, or at least development of uncertain network's inner environment. In the words of Nooteboom (2002, p. 5) trust can be ignored only at the price of ignoring uncertainty." So, we could see Benevolence as vital for the existence of network's relations, i.e. stability of network ties. Also, we could see Benevolence as being important for a person to be accepted into the network or securing continuous membership, where group's members can fully trust that newcomer and would not do any bad to the group and will act towards mutual profit. For instance, Russians can't see any sign of Benevolence when foreigners ignore and do not respect Russian culture and traditions considering it as not civilised, medieval or barbarian.

Also, from an organisational perspective Benevolence could be viewed as willingness to share cultural values in organisational alliances, for example, in



Mergers and Acquisitions or joint ventures, where such alliances often fail when partners work toward own goals are not mutual.

-“The relationship between Integrity and trust involves the trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable” (Mayer et al, 1995, p. 719).

From the network study viewpoint, Integrity could be viewed as members' willingness to accept the group's reciprocity rules, ethical norms and values, or social and psychological standards, i.e. social norms accepted by the personal group. It could be completely noble norms of behaviour in one group, or fully acceptable criminal attitude in another group. With standards and principles being set and tacitly accepted between members and remaining undisputable for life, the group could avoid a big part of transaction costs. So, business activity of such a group could be more profitable rather than a standard business organisation. People's willingness to share their resources with network members can be viewed as an example of Integrity in personal networks.

Knowing and understanding principles accepted in personal networks, we could understand how members tend to conduct their business. We could adjust the way our business is conducted if we are interested to become a part of this network or just deal with such a group in an effective way.

Therefore, Integrity is important for effective operation of a personal network/group, allow members to communicate in the same way and same language, feel confident, and develop the relations within a group further through shared access to resources and numerous exchange operations.

All three factors, Ability, Benevolence, and Integrity, can't be viewed and analysed separately but working simultaneously or in the words of Mayer et al - interlinked. With one of the factors of trustworthiness being not presented or poorly developed in relations, the balance of trust can't be gained and so, a person can't gain trust.

Dietz and Hartog (2006) offer researchers not only to understand conduct and character of the trustee whilst measuring trust but external factors also, as the decision to trust based on a huge amount is often conflicting evidence.

In their article, Dietz and Hartog (2006) have critically reviewed the number of trust measures, previously used by different scholars from the conceptual dimensions of trust viewpoint. Providing a detailed content-analysis of several measures of trust, the authors offer to look not only at strictly framed degrees of trust but from a trust evidence viewpoint, where it will be *macro-level evidence* and *relationship-specific evidence* as trust could not be seen as a simple matter and could not be categorised as “conditional” and “unconditional”, “weak” or “strong” and decision to trust derived from different sources. The authors argue that *Real* trust, as it is most commonly defined in the literature, begins from the moment which lies between “calculus-based” trust and “knowledge-based” trust.

However, the transition moment between macro-level evidence and relationship-specific evidence of trust is not shown by Dietz and Hartog (2006) and gives a chance to explore this issue further, i.e. answer the question how strangers could get from being distrustful (macro-level) to the condition of being trustful (relationship-specific). Transition could be based on the number of factors such as third-party reference, fulfilment of network’s terms and norms, expectations of compliance guaranteed, confirm and demonstrate his/her credibility and trustworthiness (Ability-Benevolence-Integrity, Mayer et al, 1995), i.e. establishment and maturity of trust.

Figure 2 is based on the continuum of degrees of the intra-organisational trust model offered by Dietz and Hartog (2006).

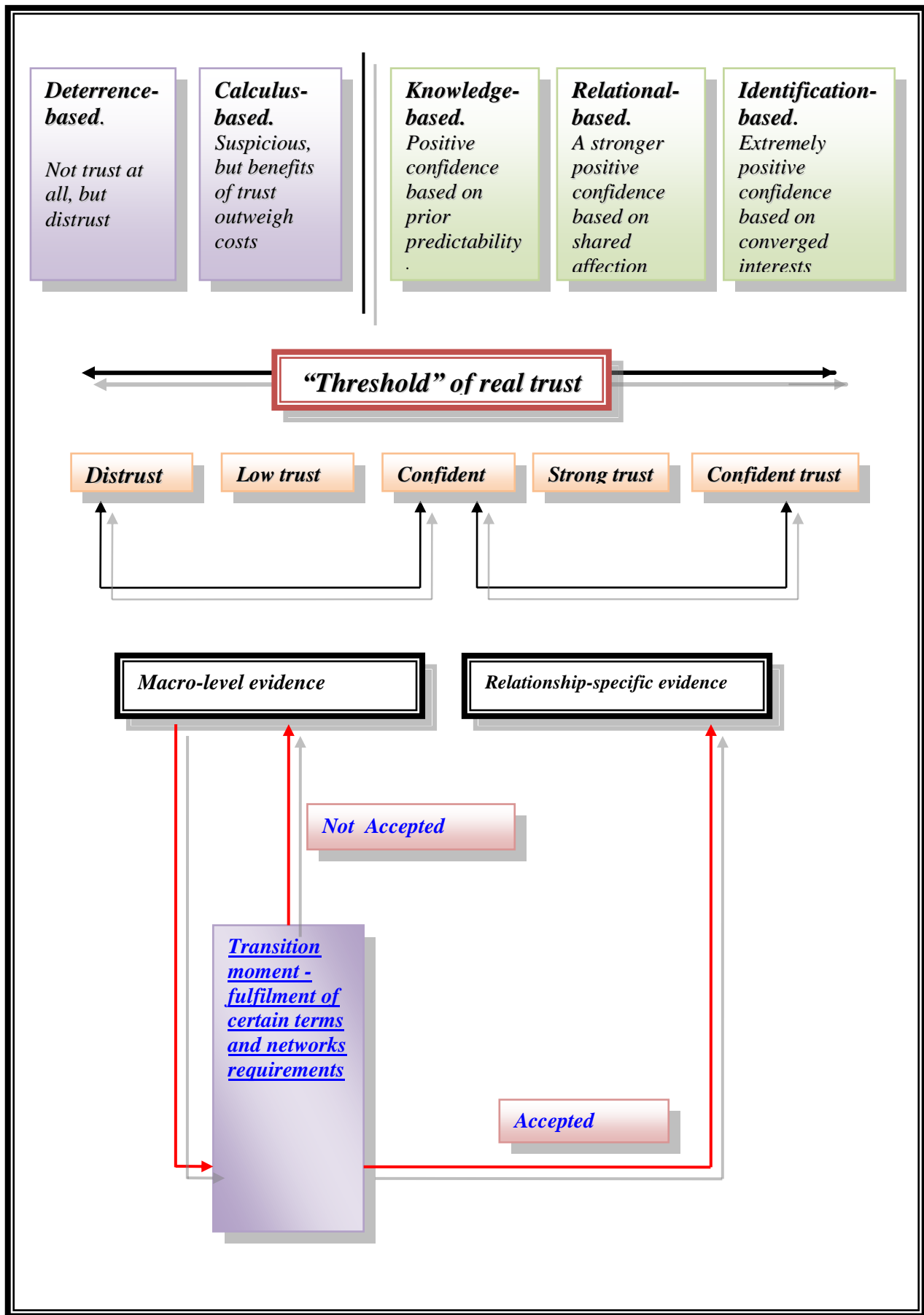


Figure 1: transition to real trust (based on Diets and Hartog model, 2006)

We offer to adapt the Dietz and Hartog (2006) model for visualisation of transition to real trust adding the box reflecting the transition moment to relational-specific evidence of trust.

The transition moment may reflect third-party reference, fulfilment of local social norms, etc, where if a person successfully passing the transition moment, he gains real trust where if not he remains with low trust. This issue is discussed in the following section in detail.

## **7.5 Degrees of trust and the strength of ties**

In the light of the present study of Russian personal networks, we want to discuss briefly the dependence of the strength of network ties and degrees of trust.

Deterrence-based trust represents not trust but distrust and characterises the relation with any stranger where no ties or no relations connect people.

Calculus-based trust represents suspicious level but where parties involved benefiting of trust outweigh costs. The weakest ties connect with acquaintances, colleagues, and new business partners. Such relations are calculus based in Russian terms and weakest in strength as mostly tend to opportunism. Having little if any knowledge of their counterparty where no references is being provided, people may be willing to take a risk for some of their own reasons deciding whether or not the risk taken would outweigh possible profit or other future potential.

Knowledge-based trust represents positive confidence based on prior predictability. Relations between mates, remote relatives, and business partners are based on some knowledge of the counterparty, reliable third-party references about a person's behaviour in other networks, previous history of reciprocal exchanges. However, the strength of the ties in such groups is weak. The position of knowledge-based trust is in some way critical as representing the border line between low trust and strong trust. The person is already known enough to be trusted and if he will be able to confirm his trustworthiness in the future, then he is only a step away from being strongly trusted where network ties are also

strengthening or vice versa, if he fails, then the level of trust to him may throw him back to calculative level, and so, weakens the strength of ties.

Relational-based trust represents a stronger positive confidence based on shared affection. Relational-based level of trust characterises mature relations with some relatives, members of ex-militia, ex-Army and Navy groups, members of business groups, and old mates, where the strength of ties in such relations is considered as strong.

This is the stage where people are prepared to forgive minor human faults and show willingness to put an effort into repairing of damaged trust.

Identification-based trust is referenced as extremely positive confidence based on converged interests. The most strongly connected people like closest friends, parents and adult children, people with absolute emotional intimacy, show identification-based trust.

For example, Aleksandr Grachev (42, male, Sales Manager, Murmansk) underlines that he trusts his friends and closest relatives for 99-100%.

In summary I suggest that strength of network ties corresponds to the certain degree of trust existing in relations and characterising the strength of relations.

## **7.6 What triggers trust?**

Bahry et al (2005, p. 521) explain that “the willingness to trust strangers has been associated with a variety of public benefits, from greater civic-mindedness and more honest government to higher rates of economic growth, and more.” The authors suggestions is related more to the economical context where in the light of the preset study we are interested in investigating the nature of trust in Russian personal networks and what triggers trust in personal relations.

### **7.6.1 Willingness to trust**

Discussing important for trust development aspects, we should consider the general environment in a particular group, which defines people’s willingness to trust where, this issue was mentioned by respondents as a fairly important factor.

For example, Oleg Saveljev (50, Owner and MD, Murmansk) suggests that in any case everything in establishing trust is bound to the initial person's willingness to trust strangers.

So, human openness to new contacts and willingness to trust may delimit the moment of trust establishment. In Bahry and colleagues' (2005, p. 521) words "the willingness to trust strangers promotes civic engagement and community building, and helps overcome the dilemma of collective action."

### **7.6.2 Emotional sympathy**

Respondents often mention that the first reason for them to trust someone is their own intuition but not all people have the developed sense of intuition. This issue was discussed in depth, where it eventually appeared that in such cases intuition means the emotional sympathy, i.e. appearance, manners, presence, moves, mimic, language, etc. Even oppositely, as the majority of respondents don't trust intuitively but confirm that having some emotional sympathy, they may trust to a stranger more easily.

Discussing foundations of trust, Nooteboom (2002, p. 195) argue that empathy is crucial entailing "sympathetic perceptiveness and imagination: the ability to see and respect the other's goals, to imagine and regret the effects of one's own faults for the others, and to make an effort to prevent them. Empathy also enables one to see when the limits of the other's trustworthiness are or will be exceeded, due to the pressures and temptations he is subject to, and to have a reasonable guess where the limits lie, and on what conditions they depend, as discussed earlier. Therefore, empathy provides the basis for both trustworthiness and trust, as well as the basis for the limits of both."

This is like some kind of feeling of being on the same wavelength, feeling of being potentially understood, supported by the emotional attractiveness, and sharing the same taste.

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We also must consider that Russian people tend to look first at appearance, evaluating person's wealth, taste, manners. This is like identification of belonging to some group or social class. For example, Marina Shustova (39, female, Murmansk) says: - "Certainly, person's appearance, style, his appropriateness to some image which is accepted in our circle. Straight look, neat appearance, for sure. I will not talk with the person who is dressed dirty. These are the minimum norms. Otherwise is not accepted in our groups."

A similar suggestion provided by the respondent, Eduard Kulik (38, male, ex-business owner, Murmansk), who explains that he wouldn't talk with inappropriately dressed people where appearance must confirm the person's social status and position from locals' viewpoint.

Whilst discussing the issue of appearance with Dmitriy Kuznetzov (39, male, owner Sevrybpostavka Ltd, Murmansk), we have found good examples of the importance of the local taste in establishing relations and trust: - People in Murmansk don't like the official style and are usually dressed using sport-like, free style (more Scandinavian style) where usually only public officials and bank staff wears a suit and tie. So, any person who dresses officially is considered by Murmansk people as suspicious and so, not much welcomed and not trustful in local view.

A different example could be brought from Dagestan where people like flashing out their wealth. Dagestanians even laughing that it is vital in their view to have a flashy car even if a person doesn't have enough money to fuel it. In a Dagestanian's view, the trustworthy person should be presentable and so, his wife, where it confirms his high status and "life" abilities.

Respondents prefer accepting much more easily someone who is already involved in locally recognised and known to others' personal networks where such factor confirms successful membership in a similar network and so, local recognition. McPherson and colleagues (2001, p. 428) explain that people spontaneously recognise others from the similar arena which breeds fellowship.

From the organisational theory point of view, Hannan, Polos, and Carrol (2007, p. 174) highlight that organisational niches can be defined for a vast array of

environmental properties, including the tastes of potential consumers and members, the availability of various kinds of input (e.g. human and financial capital), and legal and regulatory regimes.

I offer to look at personal networks using Hannan et al's (2007) approach and consider the personal groups as micro organisations. Evaluating a stranger group's members seeking for familiar or features understandable for them, like identifying "insider or outsider".

Hannan et al (2007, p.175) suggest that audience members can be characterised by values on some features such as age, educational attainment, income, and wealth. The authors use the term 'position' to refer to an audience member's location in the social space where the relevant position in some contexts might refer to age or wealth (in metric space), and gender or ethnic group membership (as qualitative feature).

Social position {religious, genders, job positions} defined by job position, genders, or religious belonging. For instance, doubtfully that female would be accepted into male's group of friends.

The authors view grade of membership of an audience member in a local taste as dependable on three factors. The first factor defines fit between the typical offering and the prototypical taste of a social position. The second fact is the degree to which the producer fits the category. The third factor is the (local) availability of the offer, its mode of presentation, and the organisational identity of the offerer.

Hannan et al (2007, p. 177) point out that offerings that would fit a local taste do not gain actual appeal at a social position if they are unknown or unavailable to persons at that position, are presented in a manner that clashes with their aesthetics, or are presented by organisations that lack conformity with the audience members' schemata. The authors argue that taste represents abstractly an audience member's aesthetics and preferences. It can be life style preferences, belonging to certain ethnic group, hobbies, sports, food, or other characteristics acceptable within the network context.



I want to provide the example from my own practice related to the virtual services. One of my friends had asked me to analyse the slow development of their internet banking service (Handybank.ru). Our mutual analyses brought us to believe that this is the overall tendency in Russia to distrust virtual services caused by people's aim to see faces behind names, websites, and screens allowing them to judge about service provider trustworthiness in their own manner. With virtual services easily appearing and disappearing, people can't see the history and don't believe in a provider's intention to conduct long-lasting service.

So, people want to see the "face" before proceeding to the next stage of cooperation. We tend to trust not to organisations but we tend to trust in people in organisations. This is one of the reasons why virtual organisations in Russia have difficulties establishing trust with their customers, and so, developing slowly. People want to see some "face" behind the name of an organisation where he could judge himself whether to trust or not, based on emotional sympathy and quality of the product offered.

It is important to understand that each respondent has their own sympathies and own views on other people, analysing people from his/her own perspective and so expect people to be fitted into his/her "frame" of the people evaluation where this issue has the fairly subjective nature.

### **7.6.3 Fulfilment of Social Norms**

The previous chapter discussed the importance of social norms in Russian personal networks, where social norms define the functioning of networks. Fulfilment of social norms is the second factor, important for maintaining trust identified by the research respondents.

Hannan et al (2007, p. 179) suggest that conversion of intrinsic appeal into actual appeal depends on the action taken by the organisation that makes the offering. In the words of the authors, this term refers to a diverse set of actions, including (1) learning about idiosyncrasies of the local sub-audience and its aesthetics; (2) designing or redesigning features of the offering to make it attractive to that audience; and (3) trying to establish a favourable identity in the relevant

subaudience. Also, the authors suggest that in many cases of interest, key engagement activities include developing and displaying credible signals of *authenticity* or decency in the context of Russian personal networks.

In the context of establishing trust, the research findings show that population view fulfilment of social norms as the signals of credibility, i.e. a person's decency and authenticity.

Bottom et al (2002, p. 498) suggest that "people often realise that early cooperative choices can entail considerable risk. When they meet a noncooperative choice by the other party, a cooperator may suffer considerable personal and/or organisational losses."

This is the lengthy process to monitor someone acting within the boundaries of accepted social norms. Respondents suggest that monitoring might take years and depend on frequency of contacts, emotional load of relations, and context of relations. Burt (1992, p. 15) highlights this issue, saying "we use whatever cues can be found for a continuing evaluation of the trust in a relation, but we never know a debt is recognised until the trusted person helps us when we need it."

In the words of Bottom et al (2002. p. 498), the description of potentially cooperative interactions and its similarity to prisoners' dilemma games is no coincidence. People can't predict the behaviour of the counterparty and prefer to keep monitoring in order to avoid the non-cooperative choice of others. Bottom et al (2002) argue that localised social norms then become an explicit reality, further cementing expectations and increasing the likelihood of future cooperation.

People have different views on social norms or evaluate social norms in their own way. Consequently, we must talk about norms generally accepted by different personal groups. Talking about social norms in the context of the trust initiation, the respondents prioritise different norms. For example, Andrei Losev (45, male, MD, Murmansk) prioritises "words and deeds" factor, Irina Vansovich (46, female, MD, Murmansk) wants to see the person's willingness to support.

The respondents explain that people must follow all social norms and not selectively some of them. Seeing and analysing how one behaves in certain life

situations like exchange of favours, mutual support, attitude towards others, etc., i.e. fulfilling social norms, people can predict a person's rational choice for cooperation and so, trust.

#### **7.6.4 Two-sidedness of trust**

Nooteboom (2002, p.8) suggests "perhaps the most basic point of analysis of trust is that we should systematically recognise the two-sidedness of trust."

The respondents also view trust as a "two-way street" where two people should trust each other. People tend to say – "how I can trust someone if he doesn't trust me?" So, we must add that it must be not just the emotional sympathy and fulfilment of one party but of both parties.

#### **7.6.5 Discussion of trust development**

Analysing the research data, we can say that for gaining trust two important conditions must be done - keeping within the expected social norms and mutual emotional sympathy between parties where both factors considered being compulsory and interlinked.

In concluding the discussion of trust establishment and the development of it, then it will be reasonable to create the model of trust development, which might help the reader to visualise the complexity of the transition process from deterrence-based evidence of trust (low trust) to real trust.

Development of trust might be divided into three stages.

First stage reflects initiation and establishment of trust, which is triggered by emotional sympathy between parties involved. This stage is bound by people's willingness to trust strangers. At this stage, people want to see how mutually acceptable social norms are fulfilled where people use direct and presumptive evidence for gathering information. From the organisational theory viewpoint first

stage is the stage of identification of how one will potentially fit into a certain personal network.

The second stage reflects the stage where a person is able to justify how he is fit and useful for the personal group, and with successful justification of skills, mutual affection, shared social norms, etc., which is reflected in the Mayer et al's (1995) model of trust factors (ABI model), secures the transition to real trust (Stage 3). So, a newcomer passing through the second stage of trust development confirms person's fitness into the group or network.

The third stage represents the real trust, which depends on the strength of relations and will represent knowledge-based evidence, relationship-based evidence, or identification-based evidence of trust. Actually, real trust is the stage where trust is considered by the network members as taken for granted attribute of the strongest relations.

In order to visualise the process of trust development I offer the conventional model of trust development which is provided below.

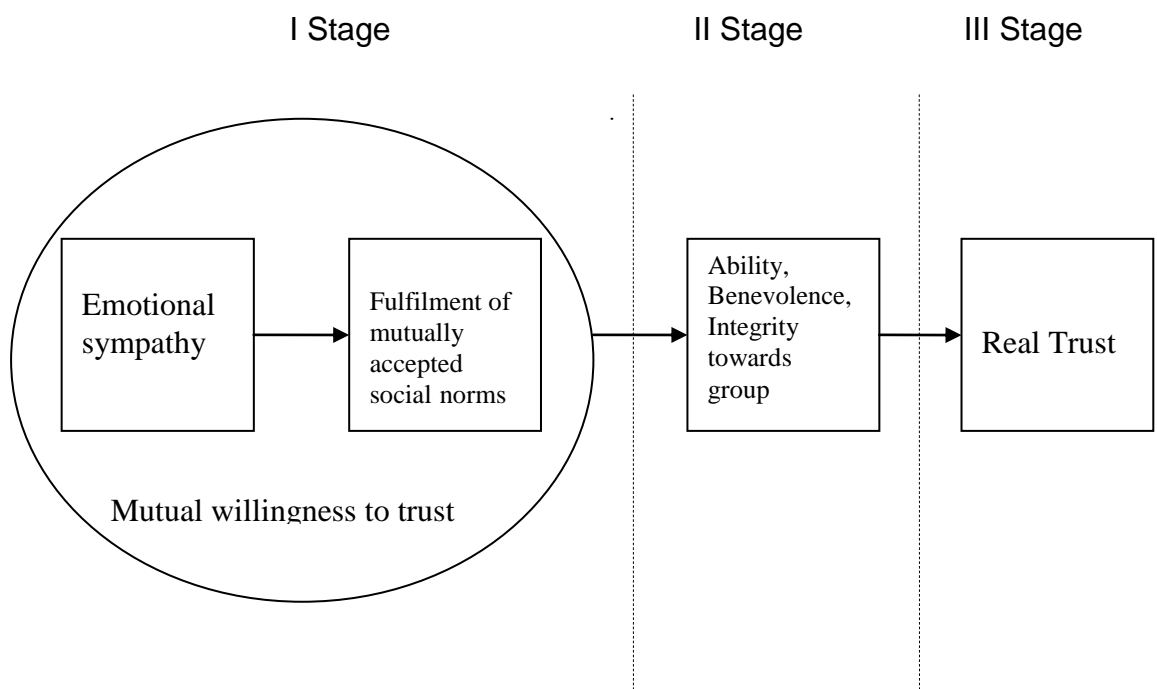


Figure 2: model of trust development in networks

## 7.7 Maturity of trust

Macro-level evidence factor could be seen as related to institutions (authorities and bureaucrats) and strangers. In the context of the present study, Western organisations and managers could be seen as strangers. We can assume that distrust or low trust of them is a result of different cultural background, long-time communist propaganda, encapsulated for 75 years of life in Russia, and some other factors.

Dietz, Gillespie, and Chao (2010) have highlighted the influence of culture on trust, including dominant approaches to building trust across cultural barriers, confirm the importance of establishing trust in cross-cultural collaborations and confirm that “developing and maintaining trust between different “cultures” is a formidable challenge”. The authors confirm despite substantial consensus in the academic literature on what constitutes trust and trustworthiness in theoretical terms, there is a dearth of research exploring how people from different cultures understand this complex and enigmatic construct, and go about building, maintaining and repairing trust across cultural divides.

The authors argue that “central to the trust process is the quality of evidence gathered, and the quality of the interpretation of that evidence”.

Dietz et al (2010) distinguish between two bases of trust - *direct* and *presumptive*. *Direct* evidence comes from interaction and first-hand knowledge of that party (Dietz et al, 2010) and could be seen as trust formed among network members who know each other well, i.e. based on the history of relations. For example, direct evidence is particularly strong in the groups of friends where people have known each other for five-ten years or even more.

In the case when people had not been in contact for a long period of time and so, the absence of direct evidence on a person’s recent behaviour, the respondents show the decline in the level of trust and the need for gathering new evidence or monitoring a person’s attitude, in order to see whether the person’s attitude and personality has changed or not with time.

*Presumptive* bases facilitate placing trust in individuals without prior direct knowledge, and relying on other sources of evidence (Dietz et al, 2010). For example, presumptive bases could be seen as trust based on the third-party referencing or introducing the stranger to the group members by a well known person. However, Russian people prefer to have the references from people trusted by them and tend to ignore references from their weak contacts. So the most reliable references should come from the strong types of ties, where the strong ties functioning as the most reliable means of trust transfer between networks.

Imagining the exchange of favours with the long time lag involved in operation, which often happens in personal networks, we need to understand what type of trust supports such exchange.

Johnson and Cullen (2002, p.4) show such episodes as situational type of trust, where “situational basis of trust is related to a particular exchange episode of relationship. They include deterrence calculus, experience, and reference reputation. These factors likely do not generalise and often do not generate trust outside of a certain specific circumstances”. In particular, people from cultures that make strong distinctions between in-groups and out-groups may require a more specific trust reference. In our case, it could be a third-party reference, which is typical for Russia. Third-party reference should prove reliability of the person’s behaviour as being standard for him.

Johnson and Cullen (2002, p. 21) also found that “in high power distance societies we expect that experience may be a more important situational basis of trust”, where such a conclusion could be seen as fully applicable in a Russian case.

Aiming to identify the transition moment between macro-level evidence and relationship-specific evidence of trust in the context of the present research, respondents were questioned about the importance of third-party references, expectations of compliance guaranteed, means of credibility and trustworthiness, and conditions for repairing of trust if damaged. What is the transition moment? What are the terms and network requirements required to be fulfilled, in order to gain trust in Russian terms?

Very often the respondents were saying that following the word and fulfilment of promises is one of the most important factors for trust, i.e. following the principle of “in word and in deed”, where the one must think twice before giving promises. For example, once, solving my business issue, I have got the advice about someone - “try to get the word from him; if he will give you the word then he will do what has been promised.”

Beside the factors explained by Mayer et al (1995), we must consider the time needed for relations to mature which may take a long while as we already discussed in Chapter five.

One could ask why we discuss maturity of trust and ties in separate chapters as separate issues. Respondents clearly suggest that maturity of relations, i.e. ties, and maturity of trust are separate but correlating issues. All of respondents (n=31) point out the fact that maintenance of trust takes a lot of time and often much longer than establishing relations to a certain degree of strength. For instance, people often say that they may know someone for many years either working together or socialising together within the same company but it does not necessarily mean that they trust this person in business or inner private issues. Respondents suggest that it may take at least one year for people to observe the attitude of a potentially entrusted person (a pretender). For example, Igor Mokhnatkin (42, male, Deputy Director, Murmansk) suggest that it may take at least a year for trust to be established; or Mikhail Smirnov (45, male, Chief Architect, Moscow) points put that it may take more than two years before trust is properly established.

Talking about gaining trust in business relations respondents claiming that it will take at least one year to see and understand how their counterpart conducts business to fulfil his formal and informal obligations. Russian people have the old saying – “we must eat a lot of salt together”; or about well established relations - “we have eaten 16 kilos of salt together”.

Maturity of trust depends on the same factors as maturity of relations explained in Chapter five but with some specifics for the trust development factors – history of exchange operations, mutual learning, attitude monitoring, history of reciprocal

relations, reputations with others, and attitude in extreme situations. Referring to the research findings the process of maturity may take more than couple of years and even more.

Development of trust adds some important features on the maturity of relations. Nooteboom (1999, p. 17) suggests that “Not everybody is equally opportunistic, but the possibility of opportunism exists and prior to a relation one does not know to what extent it may arise.”

### **7.7.1 Reciprocity**

History of reciprocal operations may show well where one will take or not take advantage over other, i.e. possibility of opportunism. From the management point of view, Sirdeshmukh et al (2002, p.20) suggest that “reciprocity supports relationship between consumer trust and loyalty”.

Bottom et al (2002, p. 498) explain that “people often realise that early cooperative choices can entail considerable risk. When they meet a non-cooperative choice by the other party, a co-operator may suffer considerable personal and/or organisational losses.”

Analysing interview responses, I have found that people prefer to borrow money or ask for support only from people they trust, from people with whom they are quite close. People distinguish two reasons behind such approach – they don't want to be turned away and can't predict the outcome or consequences of reciprocal operation with a distrustful person. For instance, being asked would respondents borrow money from the bank with poor reputation, I received the negative answers where it confirms the importance of trust even in legally bound financial operations.

Song (2007, p. 1) quoting Gunnthorsdottir, McCabe, & Smith (2002) suggests that “reciprocity has been defined as a behavioural act of voluntary repaying a trusting move at a later point of time, although defaulting on such repayment is in short-term self-interest of the reciprocator.” Song (2007) argues that individual-level of



trust is mainly affected by the cognitive assessment of the interaction and that people exhibit behavioural trust only when they expect others to reciprocate and honour their trust.

The time-lag in reciprocity operations is supported and dependant on trust. Respondents show their assurance that if they need something, they can ask about a return favour within an undefined period of time and without any doubts.

However, such an approach is related to in-groups where respondents prefer to complete the operation as soon as possible with non-members of their groups, i.e. not be obliged to less trustful people from the outer groups circle.

### **7.7.2 Reputation with others**

In the words of McPherson and his colleagues (1992, p. 157) “People with more connections to others (larger ego networks) have more chances to join new organisations, since they have more contacts to others who may be members of other groups. Each additional network contact exposes ego to potential membership in all the groups that the new contact belongs to; people with more networks contacts join new groups at a higher rate than those with few contacts.”

Involvement in different networks in Russian terms confirms a person’s good reputation. Reputation goes in front of us and follows us. The respondents suggest that reputation gained in other networks is seen as the important indication or prediction of possibility of trust development, particularly in relations characterised by knowledge-based trust or transition from calculus-based to knowledge-based trust. It is a habit in Russia to search information about stranger from all possible sources, where people would like to know about a person’s reliability, personality, and business history, i.e. learn about the person’s reputation. Good reputation secures good references and broadens the contacts base. The respondent, Eduard Kulik (38, ex-business owner, Murmansk), explains that good reputation gained in other networks is a good sign confirming a person’s trustworthiness and reliability.

The respondents say that if one had proved his decency with others then they could expect the same decent behaviour towards them. And vice versa, if one had cheated others then most probably he will cheat again in new relations and can't be trusted.

### **7.7.3 Attitude in extreme and sensitive situations**

Russian people used to live in the uncertain environment going through different complicated life tasks. It could be all sorts of situations and people, who had supported respondents in tough times or extreme situations, are much appreciated and considered as strongly trusted. For example, Marina Shustova (39, female, business owner, Murmansk) explains that her mates helped her to save money and share in the company when her firm was hi-jacked by unfair partners.

Going through extreme life situations together is the best way to test trust and trustee's reliability where it could shorten the transition period from years to days. Such cases are particularly transparent in relations of people who have gone together through military conflicts like Chechnya or Afghan war, harsh business problems, or just challenging life situations.

### **7.7.4 Mutual learning**

Respondents suggest that they need a lot of time to learn about someone new in their life. Such learning is actually the monitoring of mutual attitude in relations and life situations. Respondents underline that one could wear a mask being in public and so, some time is needed to realise is it true or not and so, people aim to monitor fulfilment of social norms appropriate to all parties involved.

Learning about personality is time consuming where people want to see the actual person's character – arrogant or polite, kind or not, supportive or selfish, and so on. Also, respondents monitor a person's communication style, readiness to share feelings, and availability for contact.

Mutual learning also reflects mutual adjustment of attitude into appropriate and understandable for both parties way which actually confirms people's willingness to trust each other and develop the relations.

Talking with formal and informal respondents about trust maturity I have often heard that maturity of trust depends of the number and complexity of the life situations people face together where people learn more about each other. So, I want to suggest that more of frequent challenging life situations networks members facing than trust between them mature at higher pace or more quickly.

### **7.8 Repairing trust or self-curing of the personal groups**

What will happen if one has done something wrong and trust was damaged? Any relations can be damaged either on a personal or at an organisational level.

None of us is the ideal person and we tend to make faults and mistakes, which could cause the conflict between network members. We know that any conflict could happen even between close friends and relatives. Serious conflict could lead to the split of relations and further antagonism. Bottom et al (2002, p. 510) highlight that one of the more subtle and difficult elements of relationship management is the inevitable friction that arises and threatens ongoing cooperation, where the mere perception of opportunistic behaviour can lead to a breakdown in cooperation.

Kim et al (2004, p. 104) indicate that despite the importance of addressing the issue of trust repairing, surprisingly few studies have directly examined how trust may be repaired.

Gillespie and Dietz (2009) confirm that there are several potential consequences of organisation-level failures, where distress and uncertainty can be profoundly unsettling for those who have invested their effort, reputation, and career ambitions in the service, possible manifest in employees' reduced willingness to display the kind of trust-informed behaviours that contribute to operating

effectiveness, obstructionism and acts of retaliation, and can lead to a breakdown of renegotiations of internal and external relationships.

In the light of the present study, we want to understand how Russian people solving sensitive situations particularly considering that Russian people are quite emotional. What secures group stability? What are the instruments for conflict resolution? What if we look at the trust repairing issue from the viewpoint of maturity of relations at the same time? As we already discussed in Chapter Five, Russian people are not very much bothered about their weak ties but are concerned about repairing strong ties. Considering the lengthy time factor and mutual effort in development of strong relations which are unique, we should realise that people will care about it as about something very valuable, not given to them but carefully grown through life and so, showing stronger willingness to repair damaged trust. Losing strong relations means losing part of an own identity in Russian terms. Strong relations can be viewed as relations based on relation-based trust or identification-based trust.

The respondents confirm that conflicts are rare within strongly connected groups, like friends or close relatives. Research respondents often mentioned that they did not have any of the conflicts for many years of relations existence or at least can't recall them and if yes, conflicts are quickly solved. For example, Aleksandr Grachev (42, male, Murmansk) has mentioned that he never experienced any conflicts with his friends.

In the case of a conflict or some friction between members, the group itself often gets involved in organising meetings for issue solving or offering compromising solutions to the parties involved. Opinion of group members will be also said to the guilty party or parties and it could be a very tough and unpleasant conversation. For example, Alexey Kim (38, male, Murmansk) says that if something will go wrong in relations than it will be talk, a serious talk, in order to settle the conflict.

Shaping relations using such approach leads to the tightening of the relations and strengthening of the ties. Respondents also add that if it will be no such mechanism of the relations curing and recovery than duration of the relations in

the personal networks not using it, it will be fairly short. For example, discussing the conflicts solving aspect in ex-militia group, Aleksey Kim (38, male, ex-militia, Security officer, business group, Murmansk) says that “if they would not be able to settle conflicting issues inside the group themselves then they are will be not as a group anymore”.

In case of misunderstandings or some minor faults the group’s notice will be enough for issues to be sorted. For example, if someone quickly became rich and begins flashing his wealth to others bringing some kind of imbalance into the group’s environment, then other groups’ members most probably will point out to him about the inappropriateness of such behaviour.

Respondents clearly suggest that it is always possible to repair the damaged trust in the strong relations considering the willingness of the parties involved to restore the relations.

Firstly, it must be confirmed that something was not done purposely where this fact must be confirmed or explained as the first step.

Secondly and most compulsory is the confession. The guilty person’s confession is seen as the key to the trust repairing. Having confessed and admitting his fault, one could expect the relations to be repaired; and even in the words of respondents the incident could be forgotten and never recalled in the context of long established relations.

The confession must not to be formal but with clearly visible emotional openness. For example, Aleksey Kim (38, male, Security Officer, business group, ex-militia, Murmansk) explaining the importance of confession in trust repairing says: - “I have the person in my life; I have always been considering him and still consider him as the friend. But it was the time when he stepped the wrong way. He really did something against the law. What is my reaction? Should I accuse him? - Yes. Should I raise unsubstantial accusation against him? - No. Because, he has came to me. It was the talk. And my opinion about his action was defined. Not more than this. Why? Because, I will not go anywhere further to spread the information. No way. Because, I trust him and he trusts me. May be it is some kind of the inner belief but I know that this conversation will be enough for him not

to repeat the same thing again. And I know that nothing like this happened until now and we are still friends.”

Respondents suggest that they are not much bothered about repairing their weak ties as such relations are not emotionally or functionally loaded.

Willingness to repair trust in the weak relations is not bound but can be based on the expected outcome of relations. For instance, in weak relations characterised by calculus-based form of trust, people may calculate the potentials of future gain or loss.

Confession in such cases can be viewed as willingness not only to repair trust but to develop the relations further. People rarely care and do not put much effort into the maintenance of weak ties and consequently respondents show that they are not bothered about restoring weak relations if damaged.

Bottom and colleagues (2002, p. 497) suggest that apologies and simple explanations can be effective to a degree, though substantive amends have significantly more positive effects than explanation alone. In the words of Kim and his colleagues (2004, p. 105) “apology is defined as a statement that acknowledges both responsibility and regret for a violation of trust.”

However, the research findings confirm that apologies and simple explanations may be sufficient in the minor cases of misunderstandings or erosion of trust in the context of strong or medium ties.

In context of weak ties apologies could be viewed as a matter of trial not to damage promising relations and courtesy. If it does not work then people simply tend to break those relations.

Bottom et al (2002, p. 509) say that denials are no more effective than acknowledgements of non-cooperative intent. Denial is defined as a statement whereby an allegation is explicitly declared to be untrue (i.e. the statement acknowledges no responsibility and hence to regret) (Kim et al, 2004, p. 106)

In the context of Russian personal networks, denials are taken differently. If one is not willing to admit his fault which has been proved, then relations will be

damaged completely. Denial is considered as an additional sign of the opportunistic behaviour, which elevates the conflict even further.

The present study findings show that with the emotionally loaded nature of the personal connections characterising Russian personal networks one must not just apologise, but admit the fault, prove accidental and not purposive nature of the fault, and clearly confess in order to repair the damaged trust, where the formal approach is not accepted. Also Russian people often say that if a person is prepared to confess this means that he has a strong personality and deserves forgiveness.

Assumingly, such approach to the relations recovery in Russian society historically came from Orthodox Christianity traditions where confession is seen as one of the key procedures.

Using my own business experience, I can advise to use the described approach in conflict solving at the organisational level whilst dealing in Russia.

## **7.9 Summary**

Trust is often taken as a universal meaning. However, people in Russia have their own definition of trust and own view of how to establish and develop trust, where assumingly it is caused by the high context of Russian culture and complex nature of Russian society structure.

Trust is important for networks' members and defines an often informal nature of business relations, emotionally loaded personal and business interactions, a big number of exchange operations in networks.

With generally low institutional trust, personal networks could be viewed as some kind of an "island" where people trust each other and human relations flourish.

However, it is important for foreigners to realise that development and maturity of trust in Russian personal networks is a lengthy process, which may take few years. In summary, I could advise foreign practitioners, if they are concerned

about establishing trust with Russian partners, affiliates, and customers, they should learn about locally acceptable social norms, take care about being fit in regards with the Russian understanding of attractiveness, and confirm willingness to establish long trustful relations.



**Chapter 8**  
**Network Entry and Exit**

*Entry and exit from networks requirements and procedures discussed in this chapter in order to understand these important networking features.*

## **8.1. Entry**

Talking about the importance of personal networks and value of social capital created within personal networks, one will need to understand how to gain a membership of a network. We could discuss many times how advantageous it would be to be a member of a resource-rich network but nothing would happen if we do not know how to access this network. So, investigating the networks' inner life we must understand the networks' entry rules.

Very little, if any, academic literature highlighting rules or practices of entry into personal networks and particularly cases related to Russian personal networks is available, where this could be seen as a research gap.

Let's imagine a Western businessman who has decided to establish business relations in Russia attracted by the richness of the Russian market. He will have a lot of questions but not many answers. How to establish robust and reliable relations in Russia? How Russian people establish personal relations?

Foreigners may face some difficulties, as Russians are Suspicious of Foreigners, where it has been confirmed by the Michailova and Husted (2003) study. Being particularly questioned about possible ways of establishing contact between foreigners and people from Russia, respondents suggest using the same scenario as Russians do or simply follow the common rule: - "When in Rome, do as the Romans do".

We tend to meet with other people in the office, or in our neighbourhood, or because of a hobby. We could be introduced to someone by our friends, mates or relatives.

All respondents say that they are not in a rush to establish new relations and if they do, then they are usually careful about new relations. Stepping into serious relations, they prefer to have some information about the new contact. For

example, Mikhail Smirnov (45, male, Moscow) says that he is happy and comfortable about his existing relations and not in position to increase the number of relations as it will take a long time to learn about new person and needs a lot of information about newcomer.

### **8.1.1 Entry with third-party references**

Third party reference is seen as very helpful instrument in establishing new relations. All research respondents confirm the importance of such reference, which is often seen as an “entry ticket” into networks and allowing the newcomer to be heard.

However, respondents suggest that not all references have the same value. Russian people tend to ignore or not taking seriously references from their weak ties as least trustful sources. For example, Vladimir Edunov (47, Commercial Director, Murmansk) says that he will create his own opinion about someone new but he will seriously consider the reference from an entrusted person.

In Russian terms valuable reference is provided by a friend, relative or old mate, i.e. from entrusted people whose opinion and judgement is valued.

Third-party reference or recommendations respondents consider as being helpful. However, reference or recommendation is viewed as some kind of an “entry ticket” and not more. It does not guarantee the successful development of relations where the referenced person must prove himself as capable and a decent person. In the words of respondents, the reference is making first contact a lot easier, a lot smoother. Being armed with the reference one could save a lot of time establishing contact and after discussion of general life issues, which is the habit in Russia, get to the point of his/her visit.

One must remember that being introduced and referenced to someone is only the first step and doesn't guarantee the successful development of relations. For example, Marina Shustova (39, female, business owner, ex-militia officer, Murmansk) says that reference or if a person comes with her somewhere is only the means of an “entry ticket”. Recommendation could be in the form of private

discussion, or just a headshake. It doesn't secure future membership; but recommendation is always important and definitely needed.

Being introduced to the group, one will face different opinions of group's members, where whatever the number of members and so, opinions.

So, being introduced to the personal group, one should remember that it is not a single action but complex where the newcomer should adjust his attitude with accordance with the group's norms and traditions confirming validity of the original reference. Also, as we already discussed in the previous chapters, the issue of maturity of relations and trust where it may take years for relations to be settled and mature, must be considered as well.

### **8.1.2 Entry without references**

How to establish relations in a completely unfamiliar environment without references being available?

Here is the story told by my friend, who is the leader of the Russian "shadow" business group.

I should provide some comments explaining the nature of the story. The cod fishing business at the North on the Barents Sea is an extremely encapsulated business, where everything is strictly shared. Quota is shared according to the Russian federal regulations. The number of buyers of fish in demand fish is artificially controlled by fishermen who are not allowing more than 5-7 buyers to be on the market. Usually, the newcomers are not allowed to purchase the fish that are most popular. Example: "Findus" (large international fish processing company) did not manage to arrange direct permanent supply from Barents Sea. Business groups of fishermen merging their quotas in order to achieve efficiency of operations, conduct illegal additional catch, and control the sales. The main difficulty for "outsiders", particularly for Westerners, is to get into the "inner circle".

*I have been dealing with the North Atlantic cod for more than 12 years working at first for a UK based Icelandic company, then for my own company.*

*Eventually I began to know all the actors on the Barents Sea. One day in Murmansk I met the guy from Denmark. I did not pay any particular attention to him. Then, I met him a few more times. Eventually I found that he is exporting frozen cod fillets and frozen fish from Russia.*

*I have asked one of my friends with whom we are had been dealing a lot on the Atlantic Cod side: - "How come that this guy is allowed to buy fish?"*

*And my friend told me the short story.*

*"Danish" came a couple years ago with the intention to buy the fish. No one has sold him even a tail of the fish for nearly half of a year. But, "Danish" has always been around and ready to pay the highest price. We had asked him for about a "couple" of favours and he did it. It was requests about different business and private arrangements abroad, like how to book a hotel, arrange cold store facilities in Europe, and private travel arrangements. We looked at him from a different angle after that. "Danish" had his first small cargo after about 8 months. Everything went well. We understood that we could trust this guy more. Now, he is allowed to buy certain quantities of fish from us. My friend added - "You know how the things work. If he would play or cheat on us, he will never get a tail of a fish from Russia."*

Knowing Russian traditions and considering that reciprocity exchange traditionally helps in strengthening personal relations in Russia, respondents were asked what if a foreigner would sacrifice something towards establishing strong business relations like making some kind of contribution towards mutual profit or a doing personal favour for a potential business partner or sharing information as Russian do.

Respondents confirm that such an approach will definitely help in establishing relations. In the words of the respondent, Aleksey Kim (male, 38, business group's Security Officer, Murmansk) such approach "will help to establish relations as showing the willingness to do something for the long term."

Providing services as a gesture of goodwill on the stage of establishing relations, Western managers have a chance to confirm their Ability, Benevolence and Integrity from the personal group viewpoint.

There is no single scenario for entering into a personal network and not an easy option anyway, where people must do some homework before entering into a new network. Marina Shustova (39, female, business owner, Murmansk) explains that she is doing some kind of feasibility study prior to entering the new group in order to learn about group's members, their habits, styles, social positions, and preferences and so, adjusting her approach accordingly.

### **8.1.3 What is expected?**

Respondents expect people stepping into relations to behave naturally and openly, without playing roles and wearing masks. The person's decency must be confirmed by his attitude towards all his possible contacts; not only towards a particular respondent but with towards others as well, where it must be justified accordingly. What is considered by the respondents as decent behaviour?

The answer is simple - keeping appropriate social norms. In the context of the trust development, social norms can be seen as a complex issue, meaning the acceptance of it by all the group's members.

People tend to pay attention to overall appearance in accordance with the rank and status making their first impression, which is based on the group's views. For example, Zinaida Novikova (36, female, Financial Director, business group, Murmansk) explains that in her circle of relations, people look first at a person's appearance, how they are dressed, manners of interaction, the way a person explains thoughts. At the first stage, people evaluating the newcomer using the emotional approach, where later they aim to see the possibility of using the newcomer's resources for their own interest.

Stepping into the business and personal relations in Russia, people expect one to be supportive and useful for the group or organisation. Doing favours or sharing information is the habit in Russia where refusal to provide support or favours will not lead to establishing trust or healthy relations for sure. Sacrificing our time and effort, we prove our reliability in Russian terms.

Also, one must behave accordingly to the common sense and so talk. For instance, being often drunk or swearing a lot is considered as inappropriate or unreliable behaviour and doesn't help in establishing relations.

Thinking about entering Russian personal networks, Western practitioners need to be prepared to go through certain acceptance procedures - sacrifice or contribute something towards the group, prove usefulness and reliability in the members' view, be referenced by entrusted person if possible, confirm trustworthiness and reliability, adjust attitude in accordance with the group's views, social norms, and traditions.

We can conclude discussion of network's entry procedures, providing general suggestion that each entry case is fairly unique and time consuming.

## **8.2 Exit from Personal Network**

Human and business relations could change or get completely broken with time because of different reasons. One could leave the network voluntary or non-voluntary. Our relations change and in some cases we need to leave our network group or our friends leaving the group. Bidart and Degenne (2005) note that personal networks have a history that shows how the relationship between context and behaviour changes over time, adding that network ties are of varying the duration.

### **8.2.1 Voluntary exit**

The issue of the groups' stability is widely discussed in academic literature before (McPherson et al, 1992; McPherson, 2001; Wellman et al, 1997) and reflects voluntary exit from networks. Researchers argue in the different ways about duration and stability of network ties. In the words of Wellman and his colleagues (1997, p. 39), "sociologists have debated the extent to which age groups are real social phenomena. While some argue that different age strata operate uniquely in response to particular variations in their opportunities, constraints and socially imposed norms (Riley, 1973; Riley, 1987; Morgan, 1988), others reject any radical discontinuities in age groups (Spanier et al, 1979; Burt, 1991). They suggest that

differences between people of different ages are likely to result from the different roles typical of different stages in the life-course.”

Wellman et al (1997, p. 32) in their study of the network changes suggest that strong ties and kinship ties are the most stable where:

- “strong ties are likely to persist because of intimate feelings of closeness towards one another, the voluntary nature of such ties, their exchange of mutual aid, and their frequent contact,
- Kinship ties are likely to be long-lasting because the intertwined system of kinship relations intersects with the norm that “blood is thicker than water” to encourage durable supportive relations.”

The authors argue that social support and intimate contacts (face-to-face and telephone contacts) are the most significant for the persistence of the strength of ties. Paying particular attention, Wellman et al (1997, p. 38) point out that “in the kinship relations the combination of support, frequent contact, and immediate kinship bonds jointly nurture the persistence of ties in these personal communities. Although overall network density is not related to the stability of networks, kinship relations do foster some stability.”

Answering the question about potential changes in networks, Wellman et al (1997) describe few reasons for changes - *aging, domestic changes, employment changes, residential changes*.

Considering *aging* as a natural reason itself for network changes, the authors argue that over the long period of time, people go through complex, non-linear life courses. Wellman and his colleagues suggest “the age-group they are in is significantly related to the percentage of intimate ties that persist in their networks.” The authors note that the youngest age group (29-33) retained the lowest percentage of intimate ties. The authors add that twenty-something people change their networks because of residence change, found a job, started a family.

A similar issue had been noted in the course of the present study. Prior to the interviews, I discussed my research with people of different ages and social positions where I have noticed that Russian people younger than thirty don't have strong and stable relations. Discussing with them the issue of network ties, I have



found that they consider all of their relations as at the same strength and do not value them very much.

However, I'm not agreeing with Wellman et al's (1997) suggestion. It is not the matter of changing residence or starting families as my respondents are married people who have lived the whole or most of their lives in one place and have worked for a few years in the same organisation.

Observing twenty-something year old people in Russia, they show a tendency to collect social contacts as the sign of social activity and status. They are easily influenced by stronger or more powerful people, easily accepting any fashion tendencies, at the same time pronouncing their independence. They are aiming to try themselves in different roles and positions.

Such behaviour reminds me of the attitude of newly established small businesses which tend to offer their products or services to everyone in order to develop and to try to be established in all possible niches.

We could assume that younger people don't have the "inner filter" which evaluate their relations and separate good and bad ties. Their "inner filter" suddenly becomes active after thirty where this age could be seen as the age mark of *social maturity*. After the age of thirty people tend to respect their parents more than before, maintaining stronger relations with them. For example, Zinaida Novikova (36, female, Financial Director, business group, Murmansk) explains that when people reach the age of thirty they start analysing and valuing relations.

In the words of different respondents, people after thirty respects their parents and tend to maintain long-term relations as their getting older. However, due to the lack of valid and satisfying data on this phenomenon we only suggest further investigation.

In the words of Wellman et al (1997), *domestic changes* could be caused by marriage, childrearing, empty-nest life, divorce and widowhood.

- Marriage. We increase our circle of relations through in-laws but at the same, time part of our relations could be lost as with the marriage we have less time to support some of our relations.

- Childrearing. Childrearing may shape social networks, especially for mothers (Wellman et al, 1997, p. 39)
- Wellman et al (1997, p. 39) suggest that empty-nest life decrease the size of personal networks because of decline in resources, including income and wealth.
- Divorce and widowhood affecting social relations due to decrease of interaction with former in-laws.

Well, Russians are the same humans as Canadians described in the Wellman's and his colleagues' research and facing the same life issues like marriage, childrearing, divorce, or other life circumstances, where those factors influencing the changes in network memberships. For instance, discussing voluntary exit, Zinaida Novikova (38, female, Financial Director, business group, Murmansk) mentioned that relations with one of her friends were changed because of the friend's marriage.

Discussing the issue of *employment changes*, Wellman and colleagues say that "mostly limited to working hours, and the few ties with co-workers which do extend beyond the workplace are usually not intimate." Wellman and colleagues suggestion about employment changes are fully applicable for Russian personal networks where relations with colleagues are considered as weak and bounded by work duties.

By referring to Wellman et al (1997), *Residential changes* are caused by residential mobility of population. Comparing with Westerners, Russian people are not keen to change their residence. Why Russian people are not so willingly to migrate as Europeans or Americans? Interesting fact appeared as the result of the research observation. Even considering it could be a much better life and work conditions somewhere else; Russian people are not prepared to change their places. The level of labour migration is probably one of the lowest in the world. Experts say that only 0.04% (6153 people) of jobless people in Russia is willing to relocate (<http://geo.1september.ru/2003/37/4.htm>).

However, population responses and stories told by them show that people are not willing to move because of their settled personal contacts being tied up to their

home places. For example, Vladimir Berezkin (60, male, ex-Navy officer, Murmansk) has said: - “Look, our northern people; they had moved to other places like Kostroma, Yaroslavl; just migrated somewhere South. And within 3-4 years coming back having not welcomed over there. They can’t find the proper job; settle their kids, because everything is alien for them. They can’t get into the circle of people.”

Therefore, we could say that Residential Changes in networks explained by Wellman et al (1997) are not so transparent in Russia and not influencing network changes dramatically.

McPherson et al (2001, p. 419) using Lazarsfeld & Merton (1954) suggest to distinguish two types of homophily: “*status homophily*, in which similarity is based on informal, formal, or ascribed status; and *value homophily*, which is based on values, attitudes, and beliefs. Status homophily includes the major socio-demographic dimensions that stratify society-ascribed characteristics like race, ethnicity, sex, or age, and acquired characteristics like religion, education, occupation, or behavioural patterns. Value homophily includes the wide variety of internal states presumed to shape our orientation toward future behaviour”.

McPherson et al (1992, p. 153) highlight that “since most social contacts are between similar people, groups tend to be homogeneous.” Homophily defined by McPherson et al (2001, p. 416) as the principle that a contact between similar people occurs at a higher rate than among dissimilar people. With the changes of a member’s status or position, he is most likely to leave the group. For example, Mikhail Kraplya (36, male, Owner and MD, Murmansk) explains that his group has such experience when one of the members “has gone into a different category – financial and social. The common language with him has been lost and so, the person left the group”.

So, we may suggest that with the change in social status or position people often face changes in their networks’ memberships.

#### **8.2.1.1 Consequences of voluntary exit**

Usually, a member who is leaving a group voluntarily could have good references following him and possible support from old contacts in the future. The relations

remain in place where people keep respecting each other but the strength of relations weakens due to the loss of emotional and functional strain of relations and low frequency of contacts.

With voluntary changes in membership, the strength of ties transforms into the form of “sleeping” ties as having an *ad hoc* nature of interaction and might be easily awakened if needed. This is particularly transparent when someone is moving to a different location. Such relations would not be the same in strength as before but people still will be helpful to each other; for example, in accessing reliable remote information or as referrals.

### **8.2.2 Non-voluntary exit**

Fehr et al (2002) explain that exit could be a result of a group’s punishment, where a person, a member is punished because of unfair behaviour towards a third party or group or purely self-interested behaviour.

What are the reasons for the non-voluntary exit from the personal network in Russian terms? A big number of Russian people, beside the interview respondents, were questioned about the issue of non-voluntary exit from networks. Using their answers, results of the observation, and analysing different life stories, we could identify the following reason for non-voluntary exit from the personal network – betrayal, setting up another member purposely, refusal to support, taking advantage over the group’s members, inappropriate behaviour.

Betrayal is considered a very serious act, and taken as the heaviest crime within the group. In the view of Russians betrayal is overstepping and breaching of certain group’s principles or commandments. Different groups have own views on betrayal. For example, Marina Shustova (38, female, business owner, ex-militia officer, Murmansk), discussing principles of ex-militia group says - “if one of us considers him as the criminal “godfather” then we see it as betrayal of our group’s principles and we are not accepting him any more. He could forget about our support.”

To set up other groups' member or members purposely is considered the same as betrayal or nearly the same. If something happened by accident, it could be discussed and settled but if it has been done purposely then it leads to the undisputable exit from the network. We can see such cases often in the business relations with people saying one thing and doing another.

Ikkink and van Tilburg (1999, p. 131) in their study of broken ties show that relationships where older adults are over-benefited with instrumental support, i.e., receive more than they give, have a higher chance of being continued. So, if not, then people tend to stop interacting with the person who refused to provide support to other group's members where it was possible and within his abilities. It could be very wide meaning from refusal in information sharing to refusal in the emotional support. Ikkink and van Tilburg (1999, p. 133) explain "a lack of reciprocity might be decisive in the termination of relationships."

Russian people have the saying - "three refusals means good bye" which explains the importance of being supportive towards the network's members. For example, Aleksandr Grachev (42, male, Sales Manager, Murmansk) says that if someone refusing or ignoring his request without any valid reason then he will think seriously about validity of the relations and more likely will stop the relations.

The Moscow respondent, Mikhail Smirnov (45, male, Chief Architect, Moscow) told the story about sharp weakening of relations, where his friend had refused twice to help Mikhail. On the first occasion, Mikhail's friend refused to bring him drugs in demand from Germany, which was not on sale in Russia, and on the second occasion, this person refused to help Mikhail's friends to find a job. Both refusals were not supported by any valid reasons.

As soon as people realise that one is taking advantage over others then relations usually are broken. This issue is particularly important for the business groups' inner relations where all operations build on trust.

Discussing non-voluntary exit scenarios, Igor Mokhnatkin (42, male, Deputy Director, Murmansk) telling his family story suggests that even kinship relations might be broken if one takes advantage over other relatives.

Socially inappropriate behaviour may also lead to the non-voluntary exit from the personal group. For example, Irina Vansovich (46, female, MD, Murmansk) explains that behaving inadequately, swearing all the time or drinking heavily, then she tends to isolate such a person from her certain circles of relations. Such a person will not be welcomed. She may not stop interacting completely but keep such person as remote as possible. In any case, she will try to point out to this person about their behaviour being inappropriate.

### **8.2.2.1 Possible Punishments**

What are the consequences of non-voluntary exit from a personal network?

Knowing how the things work in Russia, I could predict that a person will be socially isolated, any, even a minor request for support will be refused and a bad reference will follow him/her. For example, Mikhail Kraplya (36, male, Owner and MD, Murmansk) explains that rules in the group are created by the group where everything depends of the particular circumstances. People could be excluded from the group or even physically beaten in the worst scenario. Negative information about a person's unreliability might be spread around and members will not interact with him any more leaving the person isolated to some extent.

Respondents say that if relations are broken then interaction will be stopped or becomes absolutely formal in the best scenario. In Russian meaning non-voluntary exit from the group is already the penalty itself as people can't be alone or isolated. With the loss of membership, a person is losing the group's emotional and instrumental support, and also access to the group resources. In the respondents' words, the member will be left without interaction due to the damage of trust and emotional intimacy.

Negative information might be spread around bringing serious impact on the person's reputation. Actually, not being actively involved in the group's life is already a bad signal for the surrounding society causing careful approach of others and potential loss of trust in other groups.

From the business point of view, we should consider that with the networking structure of Russian society, bad rumours are spread around the relevant industry

fairly quickly and could damage their reputation for a long while. The expelled person is losing the business protection, instrumental and informational support of the group resulting with more pressure from industry rivals.

### **8.2.3 Summary**

Using this study finding Western practitioners could gain access inside of personal networks existing in Russian business enjoying the advantage of resourceful membership.

In summary, we may conclude that broken relations are always the painful incident in human life leading to the social isolation in some extent, loss of the access to the personal group's resources and support, and damage of the reputation.

**Chapter 9**  
**Summary of Findings**



*In this concluding chapter we discuss research findings, challenges and limitations, research contribution and practice.*

## **9.1 Discussion**

This paper defines and discusses the phenomenon of personal networks existing in Russian business aiming to answer four research questions and provide relevant findings. These research findings confirm the difference in Russian network to those previously discussed over the last forty years by different scholars.

Aiming to investigate what personal networks exist in Russian business this study was addressing the question - *What personal network groups exist in Russian business?*

Present research found that there are ten personal networks exist in Russian business were identified by the present study. Those networks are - friends, relatives, mates, ethnic groups, colleagues, ex-militia officials, ex-Army and Navy officers, ex-FSB officials, “shadow” business groups, classmates and college mates. All ten networks have clear boundaries, different structure of relations and strength of ties connecting them.

“Shadow” business groups were never discussed before where previous researchers believe that this phenomenon exists in only fourteen countries in the world but not in Russia (Khanna & Palepu, 2000; Khanna & Rivkin, 2001).

Aiming to investigate and describe the strength of ties in Russian personal networks, networks size, composition, density, and heterogeneity second research question was risen - *What is the structure of Russian personal networks?*

The research findings show that the structure of relations in personal networks and so, the strength of ties, is seen as more complex rather than originally described by Granovetter (1973) as only strong or weak ties. Networks members in Russia are connected by strong and weak ties, and it is a possibility of existence of medium ties which deserves further investigation. Russian people clearly distinguish kinship and non-kinship relations what makes networks relations even more complex.

Emotional attachment makes Russian networks different. Emotional strain of networks relations often defines the strength and duration of ties where with strongly established emotional intimacy people willing to sacrifice available to them resources towards other members and often on non-calculative basis or beyond the rational choice.

It is not easy to establish relations in Russia which may take quite a long while. However, such relations last much longer being productive and fulfilling for all members involved.

In order to gain an understanding of the inner life and operational principles of personal networks existing in Russian business the third question was addressed - *What are the entry and exit rules of Russian personal networks, social norms existing in them, and reciprocity rules among network members?*

This study found that there are certain social norms exist in personal networks which are different to those known in the West and these clearly defined norms are regulating the rules of the games in networks. Social norms like norms of reciprocity, norms of emotional support, norms of exchange operations, fulfilment of traditions, norms of knowledge and information sharing are strictly monitored by networks members.

With turbulent political and economical environment and the lack of law and order in Russia personal groups are occupying different positions securing and controlling different kind of resources available to them.

Personal networks could be viewed as small worlds existing in the parallel to the legal structures but being deeply embedded into them. Groups have own boundaries with traditionally established border crossing procedures, own rules of engagement, codes of conduct, traditions in solving inner problems.

The inner networks processes are traditionally inherited where social codes (penal and genetic codes) are strictly monitored within all groups. Also, the stronger the ties connecting groups members then the monitoring of the norms are monitored more strictly where it secures survival of the groups.

Enjoying the advantage of multiple categories memberships people have access to resources allocated in different and often remote networks which is particularly important for development of business in Russia.

Trust is viewed as one of the main features of any relations. In order to gain an understanding how Russian people maintaining and developing trust in their private relations the fourth research question was - *What is the definition and nature of trust in Russian terms and the significance of trust for network members?* Also, having an answer for this question, we could understand how Westerners could maintain and successfully keep trustful relations with Russians. We have found that Russian people have own definition of trust which is different to the previously discussed definitions (Dietz and Hartog, 2006) which confirms that trust is not an universal but more of cultural meaning.

Development and maturity of trust depends on a number of factors like emotional sympathy, fulfilment of social norms, ability, benevolence, and integrity towards personal group. However, more frequently people facing challenging situations then trust mature more quickly.

The present research aimed to investigate the complex phenomenon of personal networks through answering four research questions. All research questions were been answered and detailed discussion of each issue provided in the relevant chapters.

## **9.2 Challenges and Limitations**

The phenomenon of personal networks in Russian business which is presented in the present paper highlights the importance of interpersonal relations. We believe that the research findings will lead managers realising the importance and essentials of personal networks have an influence on Russian business.

However, we recognise that the present study has some limitations.

A longitudinal research method cannot be applied as any data from the past is not available. Thelens and Honeycutt (2004) argue that it can be attributed to the former Soviet Union's unwillingness to admit Western researchers, which limits

longitudinal analysis in Russia. McPherson with his colleagues (2001, p. 437) explain that “to the very limited evidence that we have on the dynamics of network over time. As with the multiplicity issue above, collecting measures of even *one* type of network tie at one point in time for a large, loosely bound system is an onerous task; this fact limits our ability to study networks over time.”

The subject of this study is relatively extensive. However, the time limitations of the DBA programme have to be taken into account. So, the author needs to keep within the study boundaries and programme schedule.

All three researched methods employed have downsides, which must be considered. For example: difficulties with collecting stories relevant to the study, losing sight of the qualities of storytelling, the author’s possible bias in observation, and emotional override during interviews.

Some groups could be inaccessible or have limitations for access because of confidentiality issue or simply because of a geographical issue, which limits full examination of all personal networks.

The author had not been able to gain access to ex-FSB officials group, due to the very restricted access to this group and members’ unwillingness to be approached.

We could assume that individuals interviewed generally tend to conform to the central values of the groups in which they exist. However, individuals have been able to use the offered model based on their own value priorities or expectations. Also having an emotional approach or believing in something, which does not exist, respondents may provide insufficient information where some data could be imprecise and need verification.

The respondents from both research locations (Moscow and Murmansk) show the similarity in understanding and fulfilment of social norms. However, it is difficult to identify the “depth” of social norms fulfilment in the scale of the present study where this issue demands separate research investigation.

Data collection was conducted in Russian and then translated into English by the author. Some may feel that data being translated into English could lose some of its importance and meaning to the research and therefore lost.

### **9.3 Contribution to knowledge and practice**

The aim of the DBA research is to be rigorous academically and also to be relevant to managerial practice providing a practical contribution to the reader.

#### **9.3.1 Contribution to knowledge**

An extensive literature review shows the number of gaps existing in academic literature on social capital in Russian business, particularly on personal networks in Russian business and how the network operates. This study aims to contribute to academic knowledge and close those gaps.

The author's academic contribution is different to any previous researchers' approach, i.e. "Insider" viewpoint in order to explore the nature of studied phenomenon. Here we can see the important role of the Insider involved in research. We already discussed this issue in the Chapters Two and Three. However, we want to stress that advantage and the role of Insider is not limited by data collection but also with ability to adapt certain theories to the research context, provision of sense of the research field to a reader, valid and reliable interpretation of talks, meanings and language nuances. The advantage of Insider on research is to shift the view from the "tourist" position to the inner views and thoughts of Russian people providing deep understanding of research phenomenon and particularly qualitative methods like interviews and story-based research. Insider enjoys the possibility to use wider range of research methods due to much easier access to potential respondents, local sensitivity, recognition, and ethical sensitivity.

Being Russian but with considerable Western experience the author has great advantage for providing balanced view to a reader where from one hand he enjoys all privileges and advantages from insightfulness point of view, and from other hand, being armed with the Western theories the author is aware what is

demanded by a reader. Such composition seriously strengthens the author's position and believes to be reflected in the research findings.

The author has used an approach that is different to the previous researchers' approach, where the use of story-based approach, own observation, and face-to-face open-ended interviews give an advantage to this study providing access to the actual network data and definition of ten personal networks existing in Russian business.

The available research data allowed revision of personal networks relations and strength of ties in networks, which are different to those originally offered by Granovetter's (1973) approach in defining the strength of ties and reflecting the complexity of Russian society.

Answering the research questions, this study defines and explains the nature of trust in Russian networks which was never discussed before.

The present paper offers the model of trust creation and development, which reflects the transition process from low trust to real trust and allowing better understanding of complexity of trust development.

Using the research findings, I suggest viewing the knowledge and information sharing process as the complex and multidimensional issue (cognitive distance, vertical and horizontal approach) where personal networks ties play the prominent the role in organisational and individual learning processes.

Analysing the tough way through this research it worst mentioning the issue of knowledge transfer between pre-dominantly Western academic literature and Russian culture and business reality. Usually we expect that all well-known and proved in the Western world academic theories should be fully applicable everywhere in the world. However, this research experience shows different outcome.

Some approaches could be taken as a starting point only and not fully applicable for studies of Russian business and society. For example, Hofstede's (1984) cultural dimensions could be viewed as fairly static and more appropriate for the countries which are not in the stage of transition like Russia. We could see daily

changes in Russian life which would be difficult to monitor using Hofstede dimensions. There are a big number of factors which influence the development of Russian society – transition stage of the country, a big number of nations living in Russian Federation where each local culture have impact on the Russian culture as a whole, turbulent economic changes.

The researchers who are involved in active discussion of different aspects of Russian business life and norms often using not effective in Russian context research methods, like phone interviews through translator (Batjargal, 2005) or newspapers articles analysis (Ledeneva, 2007), where such methods cannot provide access to the reliable data and so, leading to the inappropriate results. Russian people are not much enthusiastic about involvement in different surveys or interviews with strangers expecting more personal approach and this issue must be taken seriously.

The role of cultural sensitivity is particularly crucial in research in Russia. This issue related to the applicability of Western definitions and meaning whilst conducting research in Russia, understanding of local norms, traditions and local behavioural patterns, complexity of Russian society, business traditions, and even personality of a researcher whether he/she would be accepted or not.

Stepping on the way of studying the Russian society one should be prepared to evaluate and adjust certain Western theories and approaches in accordance with Russian context where researcher should gain appropriate research sensitivity.

### **9.3.2 Recommendations for businesses**

The practical aim of this study is to develop two types of knowledge.

The first one is the *“knowledge for understanding”*, which could help Western businesses and managers to understand how “things work” in Russia or simple development recommendations for Western organisations.

The second one is the *“legitimized relevance”*, providing knowledge, which can be used to legitimate organisational decision-making and actions.

Western organisations need to remember that Russia still remains a “mysterious” from business conducting viewpoint. Recent studies show that Russia had fallen to 120<sup>th</sup> out of 183 in the World Bank’s rate on ease of doing business; Russia is rated 143<sup>rd</sup> on the Corruption Perception Index; and such facts only confirm the difficulty of doing business in Russia. Russia is not Europe, not Asia, not Eurasia, it is Russia itself.

Using the outcomes of the present study, organisations entering the Russian market or are already trading in Russia could reduce their Transaction Costs by having a deeper understanding of certain rules in the Russian marketplace and therefore ease the difficulty of entering and succeeding in Russia’s business world.

Any organisation entering the Russian market should think how to present itself correctly and appropriately in order to gain positive recognition. This issue is particularly transparent for establishing and developing trust in organisational context either to organisation itself or organisation’s product. It will be not institutional trust which is not highly regarded in Russia but real trust which is most valuable.

Western managers could establish trustful relations with Russian partners, customers, or colleagues using the findings of this study. At the same time following research suggestions, Western managers could have an understanding to what extent trust with their Russian partners and colleagues could be developed. In any case, establishing relations in Russia might take a considerable amount of time where practitioners must exhibit their intention to build long-lasting relations proving organisational trustworthiness.

Trust must be established not only between people and organisations but also to be offered to the market as the product of organisational activity and so, increasing the base of loyal customers.

Also, well-recognised organisation enjoys the minimization of corporate risks when involved in cross-border operations and securing positions on different market and social levels.

Gaining trust in the local view would help practitioners gaining the status of the Insider which could provide certain advantages in Russian terms.



With the vast array of similar products presented on the market from each corner of the world, and supported by all means of advertisement, customers tend to exhibit their loyalty to trustworthy companies but trustworthy in the local context and in local understanding where in Russia the means of trustworthiness are different from traditional western approach.

Development of trust is a lengthy process. Moreover, the process of trust maintenance is based on emotional sympathy and people or organisations acting according with mutually acceptable social norms confirming ability, benevolence and integrity towards traditional for Russian society principles and goals.

Establishing organisational relations Western practitioners should realise the influence of the Russian mentality. In Russian view relations are established not between organisations but between people who are running and working in organisations. Practitioners should be prepared that the process of establishing organisational relations could take a long while but expect to be rewarding. Mutual understanding of partner's business needs and context always helps in establishing partnership relations but it does not mean that business should forget about own goals and aims.

Whilst establishing relations practitioners should show their seriousness about long-term relations and so, commitment towards it. The Western practice of having a big number of weak relations is not much welcomed in Russia.

Meyer and Skak (2002, p. 186) explain that "country or region-specific knowledge is important for business with transition economies, in addition to general expertise on international business". Having direct access inside personal networks or using local intermediaries as referrals for access to personal networks, Western practitioners are able to access local information.

The access to information is the matter of survival on the Russian market. We are talking about all kinds of information like certification procedures and who could help with smoothing the process, expected changes in tax regulations, competitors' actions and intentions.

It must be mentioned that the nature of competition in Russia is often far from being honest. Competitors could use different dirty tricks like providing false information to the enforcement agencies causing sudden and demanding checks

of documentation, products, and cargoes which is fairly costly for organisation. However, if personal relations established between competitors then competitors often become supporters.

Burt (2004, p. 349) suggests that “people who stand near the “holes” in a social structure are at higher risk of having of having good ideas”. Therefore, the managers could spot business opportunities in Russia if they correctly position themselves and gain access to local knowledge and information where in vast majority of cases it has the tacit nature. Information and knowledge mainly come horizontally, from the range of personal networks and actively shared networks between members. Using their local personal connections managers will have much higher chance to spot opportunities or be advised about rising business chances through the fellow networks’ members.

The knowledge of Russian culture and society must be reflected in the corporate culture and procedures. Western organisations are often facing high labour turnover due to incompatibility of foreign and Russian corporate styles. It is not easy for Russian people to adapt to corporate culture of global organisations which demands more formal and precise procedures and protocols.

Effective transfer of knowledge and information become the key to business success these days. Using the research findings, organisations may distribute information about new products and services in a less costly and more reliable manner presenting it as people’s positive experience. Knowledge transfer strongly influence staff training procedures in a way of its effectiveness and cost. The research findings show that most effective knowledge transfer is provided through horizontal organizational ties.

Organisations often demand certain changes particularly when entering new market like Russian. Organisational leaders should carefully think about existing organisational structure and structure of internal and external relations prior to the planned change. For instance, introducing an outsider to the organisation’s team, business leaders should consider possible collective resistance. Also, thinking about organisational structural changes managers should consider the existing organisational atmosphere and forms of personal relations within organisation.

Practitioners could learn about certain entry rules of the Russian market and therefore have a far smoother entry process, where organisations must be prepared to give something out for free as the contribution towards establishing robust relations, share norms and values with partners and customers, and prove reliability. It could be market information sharing, joint marketing actions, access to some technologies, or experience sharing which would eventually benefit both parties.

Adjusting their networking strategies and tactics, managers and investors are able to merge into the Russian business environment with less costly friction particularly with strong relations being established, otherwise being an Outsider in Russia means higher costs and barriers. Using the natural for Russian society approach organisations could dramatically decrease their Transaction and Organisation Costs providing competitive advantage to organisation.

Having better understanding of groups' behaviour, i.e. customers demand and needs and so, customer insight, marketing managers could develop appropriate marketing strategies in Russia tailoring products' value proposition to individual customer's needs and demands. Practitioners could adjust customer relationship management tactics accordingly.

Also, businesses must realise that the existence of norms and the standards of Russian society will remain for many years ahead (Butler and Purchase, 2008). Social norms existing in personal networks might be viewed as optimal in the uncertain and unpredictable environment of Russia securing the survival of networks' members and organisations as well.

Practitioners should facilitate networking trainings, particularly for a growing number of foreign expatriates arriving to Russia, on how to conduct customer relations in more effective and appropriate for the Russian market way, how to manage the stakeholders relations, to learn how powerful organisational opponents and supporters in Russian business, how to use effectively organisational market position.

People who are looking of a job should extensively employ their networking contacts particularly those stronger relations as they could provide valuable

references. Besides that, with the use of this study's findings, readers could develop a better feeling of Russian high-contextual culture and so, society, where most important factors are hidden from outsiders but strongly influence the way business is conducted in Russia.

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#### **9.4 Recommendations for further research**

The definition of the personal networks existing in Russian business provided in the present paper could be viewed as a starting point in exploring Russian business society. At the same time it triggers the demand for further extensive research on demography and dynamics of Russian personal networks with the aim of gathering sufficient research data and preferably longitudinal research where findings of such research could be very informative.

Present research represents findings from two places, Moscow and Murmansk, which both have a big population, where future research in small towns and rural areas may show some difference in the result and so, need further investigation.

The assumption about existence of medium ties in Russian personal networks demands further investigation where rich data, careful coding and analyzing are needed.

Having briefly discussed the issue of maturity of relations, I feel the need for further more detailed investigation of this phenomenon.

Present research findings indicate that Russian people younger than thirty demonstrate often unstable and immature relations existing in their networks. However, not being supported by sufficient research data this phenomenon demands further explanation and so the issue of social maturity of the younger generation should be researched further.

Contemporary tendency of Mergers and Acquisitions, which is also the trend in Russia, is actually a "marriage" of different cultures and social norms. Locality of norms may dramatically influence the success of M&A unless matching perfectly.

Therefore, it will be interesting to investigate compatibility of social norms in the light of development of M&A intangibles.

Having explored the existence of “shadow” business groups in Russian business, we don’t know the actual effectiveness and economic performance of Russian business groups, mortality rate, impact on the relevant industries landscape, where those issues require further investigation.

The Western approach to organisational structure building often fails or doesn’t work effectively in Russia leading to heavy losses. We don’t yet know to what extent the adaptation of Russian informal institutional principles may increase the demise of Western organisations acting on the Russian market and this issue should attract the attention for further research.

Discussing with respondents the issue of trust development between organisations and customers, I have found that Russian managers think not about trust but customer loyalty bound by different loyalty programs such as discounts schemes. I believe that further investigation of trust implication in Russian organisations should lead to the development of practical recommendations for businesses, which may increase organisational effectiveness.

Personal groups represent a hidden power or dark side of organisations, which may provide dramatic resistance or support to organisational changes and so, the role of personal groups in Russian organisations deserves further investigation.

## **9.5 Conclusions**

As Russia becomes a more important player in the world economy, the number of Western participants dealing with Russia will increase. Thinking differently will be a mistake, particularly when considering Russia’s leading role in energy resources, which are so vital in these times.

The reasoning behind this anthropological research was prompted due to the lack of information in current literature on personal networks in Russian business and, therefore, identified many questions that needed to be answered and explained.

The crucial point of the present study is to explain the inner life of Russian personal networks providing the reader with the Insider view on the processes hidden from Outsiders.

The author's methodology employed for this study and the achieved results succeed in bringing a far better and wider understanding of personal networks in Russian business by using author's direct access inside Russian personal groups, which allow collecting data "first-hand".

Present study hopes to be of high relevance, developing "knowledge for understanding", whereby using recommendations, a developed manager could understand how to gain access to local information, spot business opportunities, develop trust with Russians, and have easier access to the Russian market; and the "legitimate relevance", providing knowledge which can be used to legitimate organizational decision-making and actions, which will help foreign practitioners and investors to do business with Russian firms more effectively.

This study identified ten personal networks existing in Russian business. Providing explanation of networks' structural characteristics, entry and exit rules, networks social norms and procedures, trust significance and maintenance of it, this paper highlights the most crucial aspects of networks' life and operations.

Personal ties play an important role in the Russian business world, and therefore, are vital, and need to be incorporated regarding the practice of organisations entering the Russian market.

Also, we could say that personal networks are occupying own organisational niches and being narrowly specialised have higher fitness for survival in the Russian environment.

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## Appendix 1

### The List of Research Respondents

Interviews (Murmansk, Russia) 2009-2010

	Name	Date	Networks involved
1	Zagidat Tumalaeva, 39, female, Dagestanian, medical consultant	01.08.09	Friends, mates, relatives, ethnic (Dagestanian), colleagues, classmates/college mates
2	Mikhail Kraplya, 36, male Owner, MD, Cape of Hope Ltd	05.08.09	Friends, mates, relatives, colleagues, classmates/college mates
3	Vladimir Berezkin (Part 1), 60, male, ex-Navy officer, owner, MD, Murmansk Trade Agency	09.09.09	Friends, mates, relatives, colleagues, ex-Navy, classmates/college mates
	Vladimir Berezkin (Part 2, 3)	14.09.09	
4	Marina Shustova (Part 1), 39, female, ex-militia, owner, fashion boutique "Favorite"	16.09.09	Friends, mates, relatives, colleagues, ex-militia, classmates/college mates
	Marina Shustova (Part 2)	21.03.10	
5	Aleksey Kim, 38, male, Security Officer, Avega Ltd and business group, ex-militia, Korean, ex-seamen	18.09.09	Friends, mates, relatives, ethnic (Korean), colleagues, ex-militia, business group, classmates/college mates
6	Vladimir Krapivin, 52, male, Superintendent	21.09.09	Friends, mates, relatives, colleagues, classmates/college mates
7	Igor Glukhovskiy, 42, male, Director, Eridan Ltd	20.01.10	Friends, mates, relatives, classmates/college mates
8	Vyacheslav Sergeev, 52, male, ex-Navy, Head of department, Bank "Russian Capital"	19.01.10	Friends, mates, relatives, colleagues, ex-Navy, classmates/college mates
9	Vladimir Edunov, 47, male, Commercial Director, Snabmorservice Ltd, business group	19.01.10	Friends, mates, relatives, colleagues, business group, classmates/college mates
10	Zinaida Novikova, 36, female, Financial Director of business group	25.01.10	Friends, mates, relatives, colleagues, business group, classmates/college mates
11	Andrey Losev, 45, male, MD, Avega Ltd	26.01.10	Friends, mates, relatives, colleagues, business group, classmates/college mates

12	Aleksandr Grachev, 42, male, Sales Manager, SeaForce Ltd	01.03.10	Friends, mates, relatives, colleagues
13	Aleksandr Kolomietz, 49, male, Lawyer	11.03.10	Friends, mates, relatives, colleagues
14	Sergey Fedorov, 42, male, MD, World Ocean Ltd	13.03.10	Friends, mates, relatives, colleagues, classmates/college mates
15	Irina Vansovich, 46, female, MD, MTSS Ltd	01.04.10	Friends, mates, relatives, colleagues, classmates/college mates
16	Dmitriy Egorov, 41, male, IT Senior Manager	09.04.10	Friends, mates, relatives, colleagues, ex-militia, business group, classmates/college mates
17	Oleg Saveljev, 50, male Owner and MD, Soling Ltd, Murmansk	21.05.10	Friends, mates, relatives, colleagues, classmates/college mates
18	Igor Mokhnatkin, 42, male, Deputy Director, Murmansk Trade Agency	07.06.10	Friends, mates, relatives, colleagues, classmates/college mates
19	Eduard Kulik, 38, male, ex-business owner, Murmansk	09.06.10	Friends, mates, relatives, colleagues, classmates/college mates
20	Dmitriy Kuznetzov, 39, male, owner, Sevrybpostavka, Murmansk	23.06.10	Friends, mates, relatives, colleagues, classmates/college mates

### Moscow, 2010

1	Mikhail Smirnov, 45, male, Chief Architect, JSC Avtomir, Moscow	17.07.10	Friends, mates, relatives, ethnic (Jewish), colleagues, classmates/college mates
2	Maksim Chekanov, 37, male, Deputy Director, Fructonad Group, Moscow	19.07.10	Friends, mates, relatives, colleagues, classmates/college mates
3	Dmitriy Prokopov, 38, male, entrepreneur, event business, Moscow	07.08.10	Friends, mates, relatives, colleagues, classmates/college mates
4	Stanislav Lazarev, 38, male, Development Manager, Igrus, Moscow	02.09.10	Friends, mates, relatives, colleagues, classmates/college mates
5	Mikhail Akimov, 46, male, self-employed Architect, Moscow	15.09.10	Friends, mates, relatives, ethnic (Jewish), colleagues, classmates/college mates
6	Lyudmila Mazur, 39, female, Senior Lecturer, Moscow State University of Architecture, Moscow	17.09.10	Friends, mates, relatives, colleagues, classmates/college mates
7	Aleksandr Magataev, 49, male, VP,	21.09.10	Friends, mates, relatives, colleagues,

	Bank "New Symbol", Moscow		classmates/college mates
8	Sergey Kanichev, 37, male, Art Director, TV and show programmes, Moscow	22.09.10	Friends, mates, relatives, colleagues, classmates/college mates
9	Gadzhi Makuev, 53, male, small business owner, construction, Dagestani, Moscow	23.09.10	Friends, mates, relatives, ethnic (Dagestani) , colleagues, classmates/college mates
10	Vali Magataev, 61, male, First Deputy of Dagestan Republic Representative, Moscow, Dagestani	27.09.10	Friends, mates, relatives, ethnic (Dagestani), colleagues, classmates/college mates
11	Denis Polyarush, 38, male, Co-owner and Deputy MD, Alt-Lan Ltd.	18.10.10	Friends, mates, relatives, colleagues, classmates/college mates

## Appendix 2

### Set of Interview Questions

I will be using the word “mate” rather than “member” as it sounds more Russian and less formal. Use Ozhegov’s Russian dictionary for defining words-trust, friend, etc in Russian terms/understanding and verify meanings with respondents.

#### *Identifying personal networks*

Each of us is daily involved in different personal groups like friends, colleagues, ethnic, ex-classmates, etc.

Could you tell me in what type of personal groups you are involved yourself?

Who is a “friend” in your terms? How you will define the word “friend”?

Who is a “mate” in your terms? How you will define the word “mate”?

Who do you applying, when you want to talk about your inner feelings?

Who has recently turned you to talk when they were feeling depressed?

Who would you ask for help, if you were in need to borrow money?

Who have you loaned a large amount of money?

Who are the people you enjoy socialising with?

Are there any other people, besides those that are already mentioned, who are important to you or significant in your life?

With who you are spend most of your time outside of your household in the matter of significance?

What other networks you could think of are out of you circle of communication?

How much time you are spending with other network’s members?

Do you know or could think of any other type of personal networks you are aware of?

What in common do you have with other members?

Comment-Same family, same organisations, same ethnic background, similar values, etc?

What do you know about business groups?

Could you tell me about networks you involved?

What are relations in your networks?

#### *Network Size*

How many people/members in your group/s?

Comment-We are talking about people with whom you have significant relations and provide different types of support.

#### *Centrality*

Is it any grade or rank of membership in your network?

Who could be seen as the central person in your network? Why would you think he/she is the central person? Who could be seen as most respected?

Is it any difference in time spent with people from different networks?

#### *Network Composition*

Could you name your network fellow members if not confidential, please?

What type of relations exists in your networks?

What about time you are spending together?

#### *Network Density*

How your group’s mates/members are involved with each other?

What kind of services?

Could you expect to use group’s resources or to have an access to some resources?

#### *Network heterogeneity*

In what spheres of the business activities your group’s mates are involved?

### *Preferences in relations or most valuable*

If you are involved in few different networks at the same time, could you identify the amount of time spend with people from each group?

Which group could be seen as the most valuable for you?

### *Networks ties*

Could you characterize the strength of ties in each of networks you involved with?

What is the strength of relations with your friends?

-Mates?

-Relatives?

-Colleagues?

-Classmates?

-Other groups?

### *Significance and strength of ties*

Who is more valuable for you, friends or relatives?

Could you describe your relations with relatives?

How many of your relatives living in this city?

How you could characterize the significance of your relations?

What is the value of emotional support?

Does emotional support important?

What is it emotional support in your view?

What is the difference between relations with friends or mates?

- With colleagues?
- With different groups of relatives?
- Within specific groups?

What are relations in your networks? Functional? Emotional?

Could your relations with different people be defined as only strong and weak?

If we talk about medium ties, what groups of people are connected with such ties?

What will be the difference between strong, medium, and weak ties?

Could you characterise each type of your relations?

Could you characterize your relations with different groups of relatives?

Could you apply to your relatives networks for support?

### *Trust*

Is it trust important in network's relations?

How you could define the meaning of "trust"?

If I will offer you few other meanings could you, please, tell me which one sounds as most appropriate?

I will offer to choose from the list of Western definitions of trust-from Dietz and Hartog (2006).

### *Significance if trust among network members*

Based on Nooteboom, 2002, p 159-161

HAB-Habitualisation (routinization)

You have been in the long relations with the members of networks you involved.

-All kinds of procedures have become self-evident

-you have understanding with each other well and quickly

-you never had a feeling of being mislead

INST-Institualisation (regulations within relations)

-In this relation, you and this person are expected not to make demands that can seriously damage the interests of the other

-In this relation the strongest side is expected not to pursues its interest at all costs

HI- Habitualisation/Institualisation (Habitualization+Institualisation+item)

-In this relation informal agreements have the same significance as formal contracts

SLE-Size of loss ego

- Actually, I cannot afford to a break with this person
- If the relation with this person breaks, it will take for me much effort to fill the gap in group's solidarity
- PLE-Probability of loss ego
- The risk in this relation is sufficiently covered by the third-party guarantee and some other means

### *Development of trust*

- What do you look for in someone you trust?
- What are the indicators of a stranger's trustworthiness?
- Does trust comes from fulfilling the norms first?
- Which indicators do you prioritise most important things you look for?
- If you need a new contact, what do they have to do to earn your trust?
- Does fulfillment or following the social norms is the basis for the trust development?
- In your view, how trust develops?

### *Transition moment*

- Do you trust Westerners?
- If "Yes" or "No" -Why?
- Let imagine the moment when you begin to trust the stranger or Westerner.
- What are the factors influencing the decision to trust the stranger/Westerner?
- What are the terms for transition from being distrustful to being trustful?
- Could you see the positive reference from the third-party as the basis to trust a stranger? And to what extend?
- Could you bring example or story on how you became confident about somebody?
- In terms of entry into your group, should a person gain trust with all members? Or is it enough to be trusted by one or two?
- No one is an ideal person. All of us tend to do a mistake. Our behaviour or attitude could be seen by others as not trustful.
- How trust will be harmed after such distrustful case?
- Could it be repaired? What are the terms for repairing trust?

### *Social Norms*

- Social norms: Consumption norms, norms against behavior "contrary to nature", norms regulating the use of money, norms of retribution, norms of reciprocity, norms of distribution.
- Could you think of any social norms existing in your group/groups?
- Why would you think is important to keep the norms in your group?
- Could you say that resources available to the group are distributed fairly between group members?
- What are the principles of resource allocation among group's members?
- Are there certain conditions for the fulfillment of the norm/norms?
- Who from outside of your organisation has recently helped you with your business arrangements?
- What will your contribution or fulfilment of norms towards different relations/ties?
- Is it important to keep within norms towards weak relations?
  - Strong and medium relations?
- Do you think that norms differ in different places?

### *Reciprocity*

- Let's talk about particular norm-norm of reciprocity
- I will use the following definition of reciprocity-"*doing for others if they have done for you-is a key way people mobilise resources to deal with daily life and seize opportunities*" (Plickert et al, 2007, p 405).

- What are the usual expectations of the exchange mechanism in your group/groups?

- What type of services you could expect from your group's mates-minor, major support, services?
  - What favours could be seen as minor and what as major support?
  - What are the factors influencing the exchange of favours?
  - Do you feel obliged receiving favour from the stranger/Western?
  - Would it be equal favour?
  - Could someone be accepted to your group as a person which has provided some favours for you or other members?
  - Should Westerners provide the favour first in order to stimulate a returned favour and strengthen their position with it?
- We could imagine that exchange of favours does not happen simultaneously. It is some kind of time-lag between favours/operations could occur.
- So, how this time-lag is usually considered in your group?
- Could you gain access to some kind of resources through the membership?  
 Does your group have direct/indirect access to the valuable resources?  
 What are the obligations towards your strong, medium, and weak relations?  
 Could you provide examples?

### *Blat*

*Blat* is defined as "the use of personal networks and informal contacts to obtain goods and services in short supply and to find a way around formal procedures" (Ledeneva, 1998, p. 1).

- Do you know the word "blat"?
- Do you use the word blat often these days?
- What is the meaning of *blat* these days?
- Would you think that it will be the difference between "blat" and network exchange operations?
- Does "blat" is still existing and if "yes" how?
- Could you provide an example, please?

### *Entry-Exit rules*

- How it is possible to get into your group?
- What are the terms or procedures?
- If someone makes a contribution towards group or one of the members could he/she gain a membership?
- Does the person need an acceptance from all group members?
- Could the person be "awarded" with a membership because of previous favours/honours?
- What are the reasons for non-voluntary exit?
- What are consequences of non-voluntary exit?
- What are the forms of possible punishment or sanctions for breaching group's norms?
- What about exit with good references?
- Will it be future support from former co-members?

### *Knowledge sharing*

- How the information is shared in your organization?
- Is it comes from the top or you are looking for an answer around asking your contacts about correct way of problem solving, correct information, etc?
- From whom you are getting most of your business or job related information? From your top managers or from your network contacts?
- If you need to discuss some kind of specific business issues or new approach, would you discuss it with your boss, or colleagues, or network contacts?
- From whom you could get useful for life or business information?
- Does information usually collected horizontally?
- From where the main flow of information comes - vertically or horizontally?